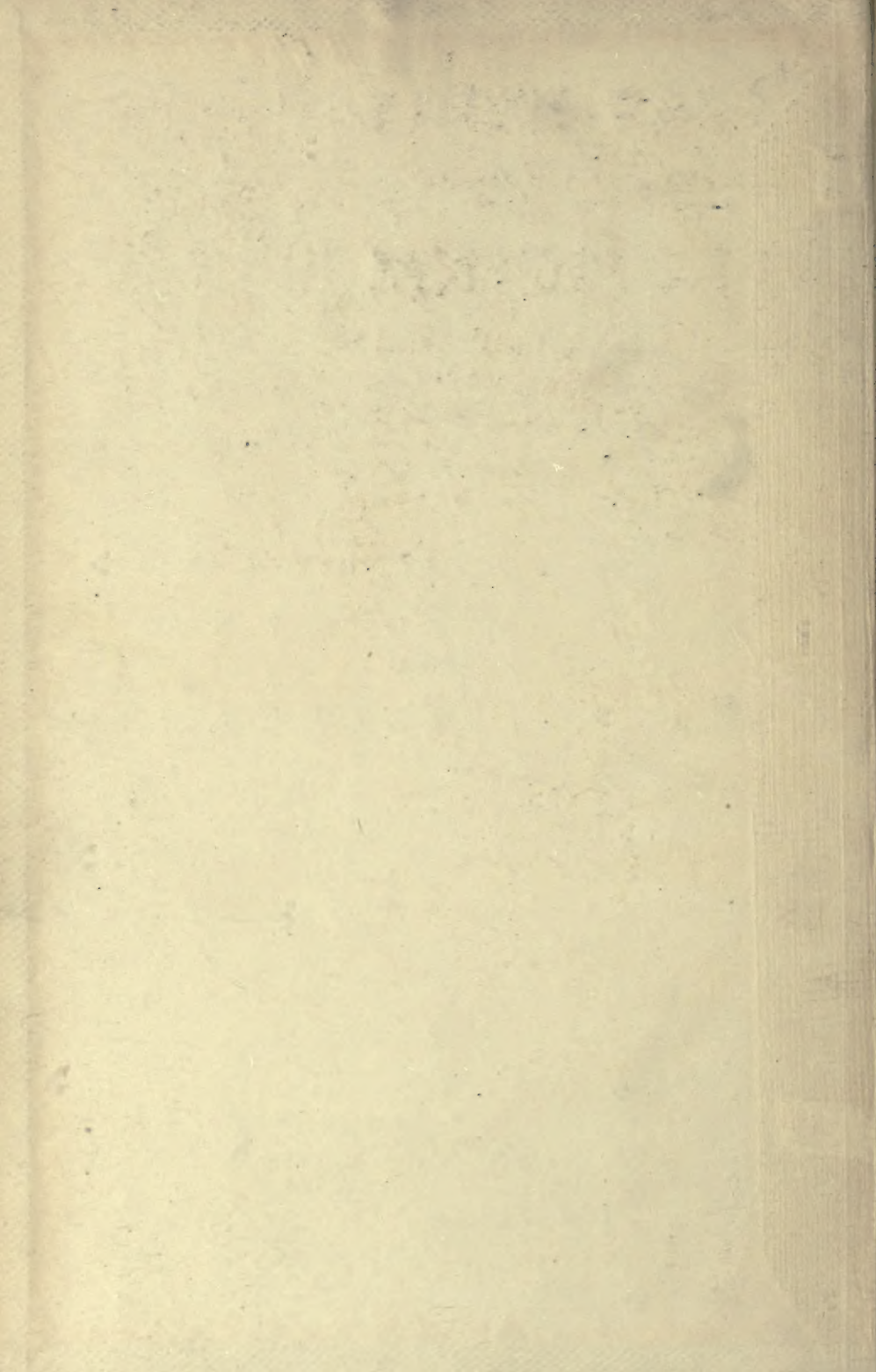
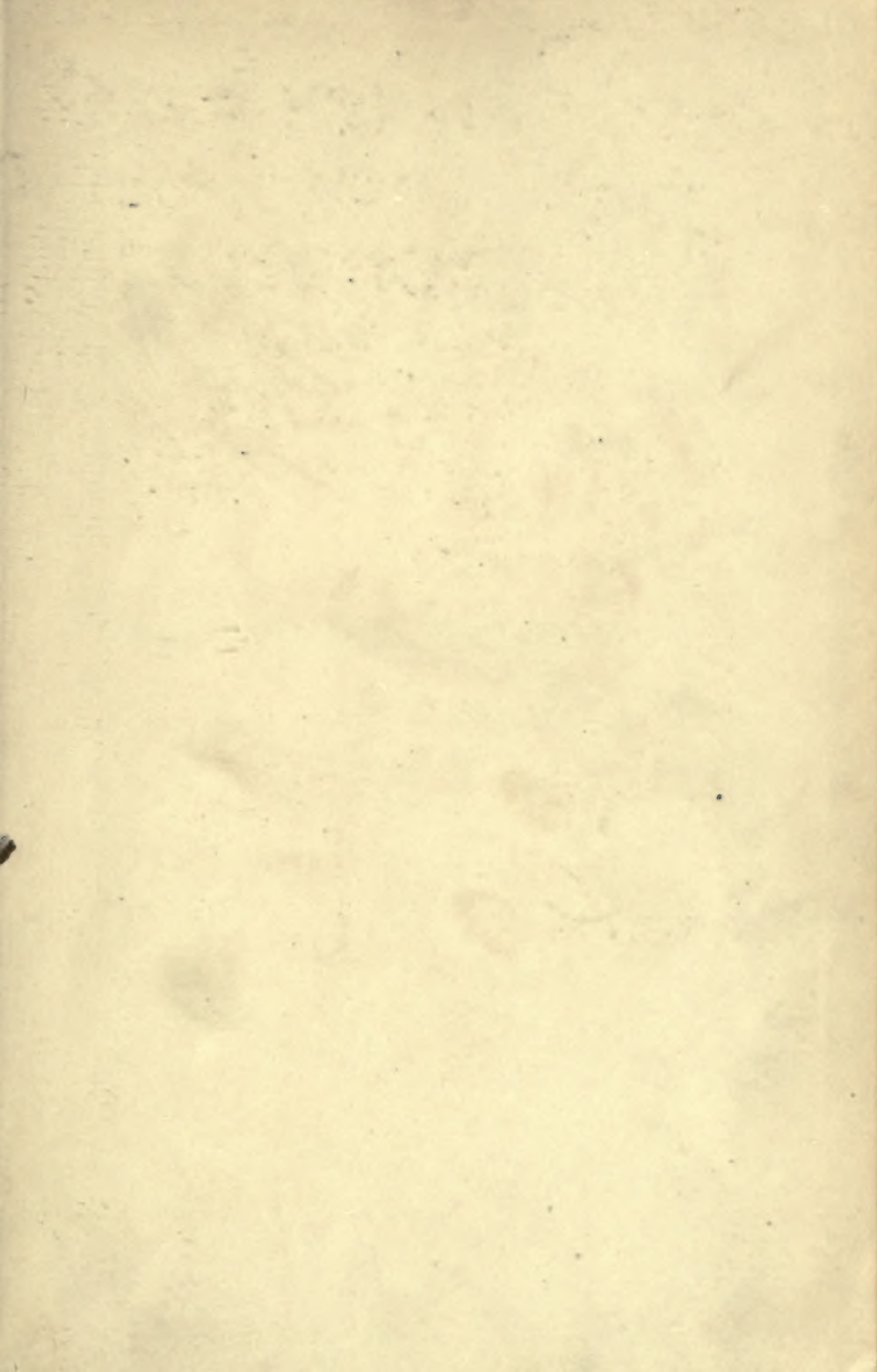



FREE TRADE
v.
PROTECTION

A FISCAL DUEL BETWEEN
HAROLD COX
AND
ERNEST E. WILLIAMS

WITH AN INTRODUCTION BY
L. G. CHIOZZA







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FREE TRADE *v.* PROTECTION

SECOND EDITION.

BRITISH TRADE AND THE ZOLLVEREIN ISSUE.

BY L. G. CHIOZZA.

A clear statement of the facts relating to this important subject, with certain deductions therefrom. The facts are set out at length and in detail, so that the opinions expressed may be read with them and valued accordingly.

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- I. INTRODUCTORY.
- II. THE POPULATION OF THE BRITISH EMPIRE. (With Diagrammatic Map.)
- III. THE CASE AS TO RAW MATERIALS. (With Diagram showing the Sources of our Imported Raw Materials.)
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- V. THE PRESENT NATURE OF THE COMMERCE OF THE UNITED KINGDOM WITH FOREIGN COUNTRIES AND BRITISH POSSESSIONS. (With Diagrams showing the Sources of our Imports and Destination of our Exports.)
- VI. OUR COMMERCIAL TREATY RELATIONS WITH FOREIGN COUNTRIES.
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- VIII. TO SUM UP.

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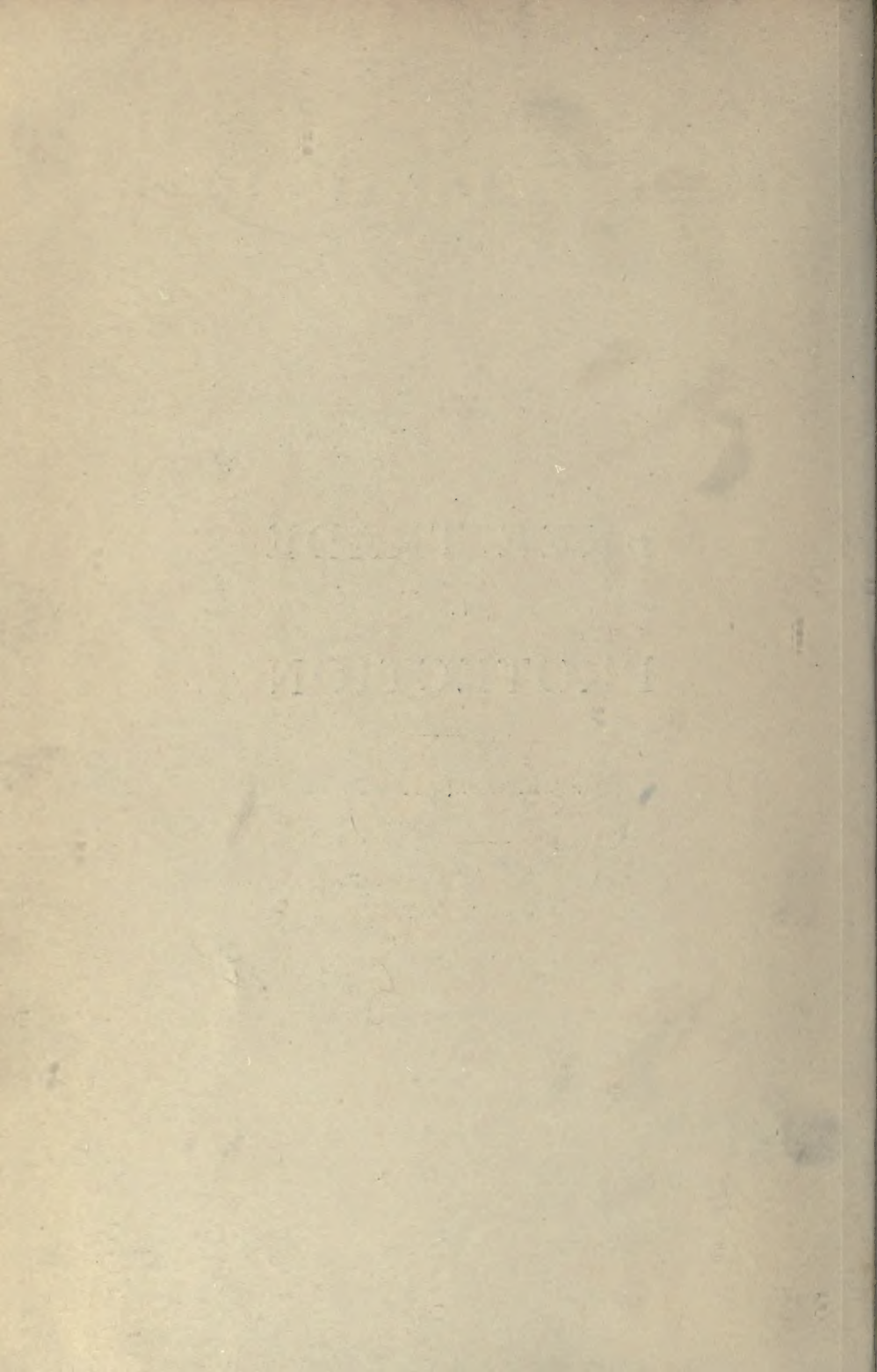
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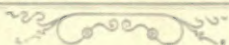
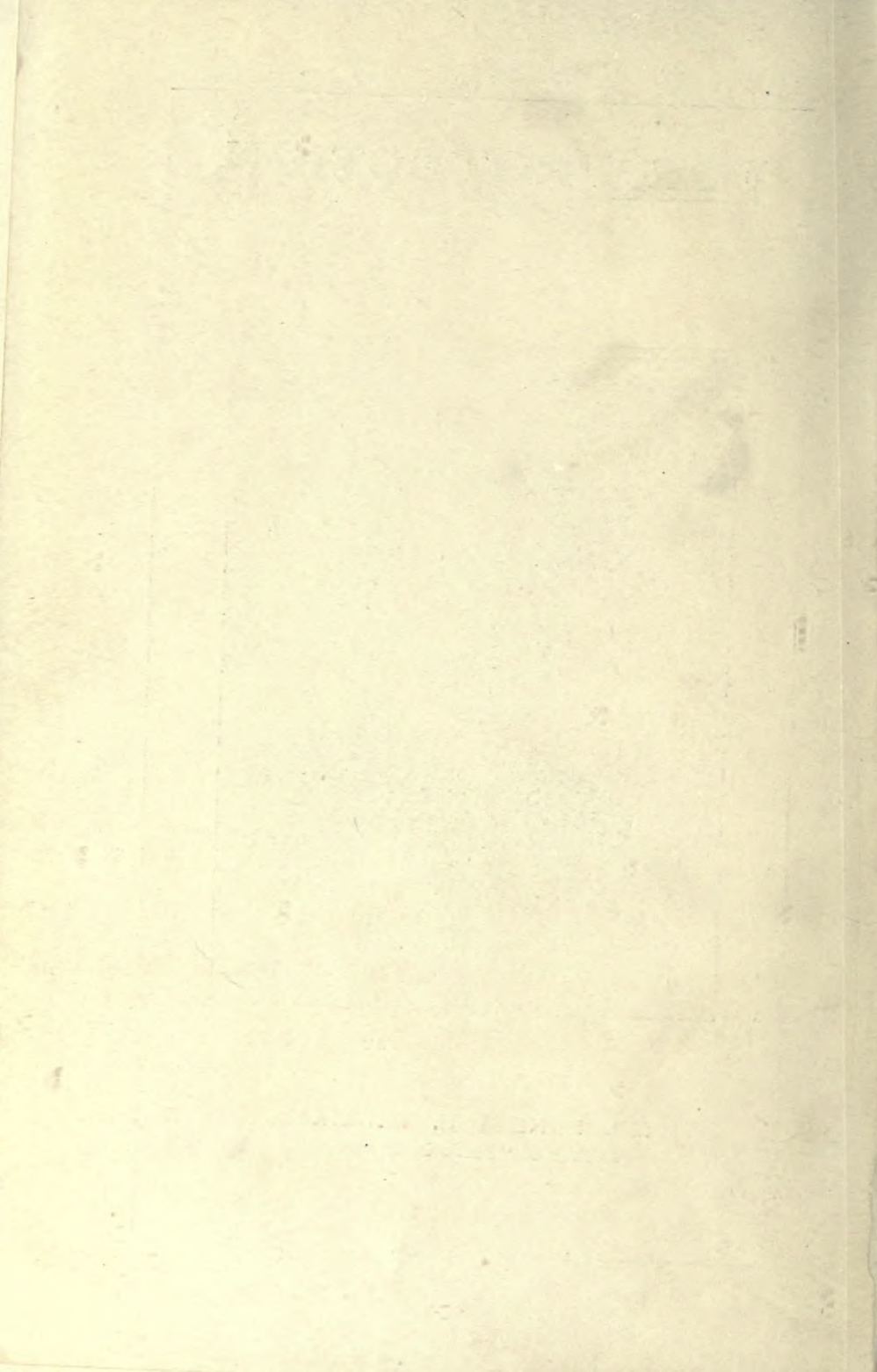


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MR. HAROLD COX,
Secretary of the Cobden Club.



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FREE TRADE

V.

PROTECTION.

A FISCAL DUEL BETWEEN

HAROLD COX,

SECRETARY OF THE COBDEN CLUB;

AND

ERNEST E. WILLIAMS,

AUTHOR OF "MADE IN GERMANY."

(Reprinted from "*Commercial Intelligence*.")

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FREE TRADE v. PROTECTION.

INTRODUCTION.

IN the first place, a word of explanation is necessary as to how the following articles came to be written. *Commercial Intelligence* has a strong faith in Free Trade, and no less in the virtue of that golden but neglected maxim *audi alteram partem*. It therefore invited Mr. Harold Cox, the Free Trader, and Mr. Ernest E. Williams, the Protectionist, to debate the subject of our fiscal policy in its columns, confident that neither faith in Free Trade nor in the expediency of giving both sides of a case a fair hearing was likely to be shaken by the outcome. Each gentleman was invited to contribute six articles, to be written alternately, and the interesting result is presented in the following pages.

Free discussion of our fiscal policy was never more necessary than at the present time, not because anything has occurred to alter the foundations of the Free Trade belief, but because it has become abundantly clear of late that a generation has arisen which knows not Adam Smith and Ricardo; which enjoys but has forgotten the labours of the economists and statesmen who freed our trade from the trammels which once encompassed it; which, faced by the inevitable growth of foreign industries and commerce, and seeing that several nations are rivalling our exertions more nearly than of yore,

feels that the times are out of joint, and that something is rotten in the State, which calls loudly for remedy. To such a generation the specious cries of "One-sided Free Trade," "American invasion," and so forth, appeal with peculiar force, and a prosperous people has almost come to believe that British commerce is declining, not merely relatively but actually. In a recent month, when our oversea trade, so far from declining, had just made a record, a popular newspaper, of enormous circulation, headed an article with the words "Our Declining Trade." Pessimism as to our trade prospects is quite the vogue, and it was exceedingly amusing, but a short time since, to see certain Protectionist writers eagerly and unnecessarily explaining away a fall in American exports, while a contemporaneous rise in British exports was just as eagerly picked to pieces to show that the nation is "marching to ruin."

It is obvious that those who favour Protection cannot make much headway if it is apparent that we are doing well, or as well as 42,000,000 white people, living in a certain well-defined region, with just so much land, so much coal, and so much other natural wealth, can reasonably be expected to do. You cannot easily worry a contented people into changing the settled policy of their country. That explains the anxiety of the Protectionists to prove that we are not doing so well as other nations. Look at Germany, they cried a few years ago. Look at America, they cry to-day. Germany is not quite such a favourite weapon as it used to be, and, of a truth, when the present state of German industry and German finance is considered, it is not surprising that a Protectionist looks further afield for a model, and that the phrase "Made in Germany," which inspired a particularly futile and childish Act of Parliament, is no longer current cant. The frequently-made assertions, that our trade and industries are declining do not bear a moment's serious examination. That there is depression in British industry at this moment is unfortunately true. That our own depression is not so great as that of Germany is equally true. That, after a prolonged and expensive war, our revenue is elastic, while Germany's Budget in time of peace shows a heavy deficit, can scarcely be held to prove that, if we

emulated German fiscal policy, we should emerge from depression. I hasten to add that I am in no way urging that the existence of German depression condemns Protection. All I point out is that it most clearly proves that Protection does not ensure prosperity, which has its roots in deeper things than Customs barriers.

America, doubtless, has had much to do with the recent reaction in favour of Protection. We are inclined to take Americans at their own valuation, which is not a conservative one. Things American are well advertised, and just as advertising benefited the sale of cocoa while it injured that of coffee, as a Chancellor of the Exchequer recently pointed out, so shrewd advertisement has put a convex lens between our eyes and America, and undoubtedly told largely in favour of our one-time Colony. Not that America needs a magnifying glass. It is large enough and wealthy enough to be accounted one of the chief assets of that small, nay insignificant, planet upon which we sojourn. The rub for so many of us lies in the fact that she sells to us largely, and buys of us but grudgingly. That America deliberately shuts her markets to a large number of our products suggests retaliation to many a peaceably-disposed citizen. "If America will not have our goods, we will not take hers." But what would it benefit us to bar American goods? From the United States we import, on the best terms, corn, meat, timber, leather, cotton, and many other absolutely indispensable articles, which we use to our own very great advantage. America is a fairy godmother to these islands, giving us cheap supplies of raw materials which we fashion into clothing, implements, utensils, and dwellings for ourselves, or export to foreign nations to pay for other things we require. Also, America sells us many ingenious appliances and patented machines which, employed upon raw or manufactured materials, brought from oversea, add to our wealth and productive power. To take a present instance, it is admitted that American boot machinery is in several respects an improvement upon our own. Should we then put a 50 per cent. duty upon it to shut it out, and protect our boot machinery makers? If we did so, we should benefit a class of engineers for a time and

injure our own bootmakers, who would be prevented from purchasing the very machines they required to make cheaper and better boots. Free Trade puts the best machinery, wheresoever made, not merely that produced in our own country, at the disposal of the bootmaker. Moreover, the importation of the improved machinery awakens the British engineer, if he needs it, and stimulates him to improve his methods and productions. If he does not, he goes to his fate, for not Free Trade nor Protection can save the incompetent. Yes, I hear someone saying, but it is not only the engines that come in free but the boots also. True, and my remarks equally apply to the boots, for while it is important that the boot manufacturer should have the best machinery made in the whole world, we ought not to deprive the engineer of the right to purchase foreign boots if it suits him to do so. If the imported boot be the better article—I do not say that it is, but if it be—the British bootmaker either learns to manufacture articles as good or better, or goes to the wall. To believe that he will fail, unless the people who wear boots are fined to support him, is to confess lack of faith in British skill and British brains; and, let it be clearly borne in mind, if it be true that brains and skill are lacking, then import duties will as little avail to save British industry as the voice of Cnut availed to rebuke the ocean. Besides boots, we purchase other ready-made articles from America which we produce ourselves. But it is clear that we only purchase them because we want them, and that we shall cease to purchase them if, as in the case of cycles, we find them inferior to our own. There is only cause for fear if we have good reason to believe that America is more *capable* than ourselves. For us to shut out foreign goods would not cure that complaint. It would merely deliver an incompetent people to the mercies of incompetent manufacturers. But I make bold to say that this nation is not incompetent, and that in the future, as in the past, it will continue to profitably employ its energies in working upon the tribute which its argosies bring daily to its shores, changing its methods with the changing times, ever playing a great part amongst the nations.

The important point as to the interdependence of industries already touched upon is worth a little further consideration. The fact that we import, under the classification adopted by the Board of Trade up to December 1902 (a classification which, I am glad to say, I have induced them to alter), as much as £100,000,000 worth of goods per annum, is a favourite weapon used by Protectionists in their appeal to national sentiment to shut out the goods of the foreigner. It is pleaded that such importations "take bread out of the mouths of British workmen." Let us, therefore, examine the nature of the goods valued at £100,000,000 (*c.i.f.*) which we imported in 1902. Obviously it is only possible to classify them arbitrarily, but most people will agree, I think, that division into the following great classes is appropriate to the facts:—

Imports into the United Kingdom of articles classed by the Board of Trade as "Manufactured" in the Year 1902, values *c.i.f.*

(a) *Manufactured articles imported which are used in British industry, as materials, machinery, plant, tools, implements, etc.—*

Leather	£8,097,000
Paper, unprinted	3,041,000
Linen yarn	968,000
Woollen yarn	2,259,000
Iron and steel, joists, girders, etc.	820,000
Iron and steel, other kinds	3,256,000
Nails and screws	568,000
Straw plaiting, etc.	747,000
Pulp boards, etc.	951,000
Bottles	790,000
Machinery	4,761,000
Electrical goods	685,000
Mouldings for picture frames	232,000
Baskets and basketware	262,000
Brooms and brushes	318,000
Jute manufactures	1,995,000

Carry forward . . £29,750,000

Brought forward	£29,750,000
Scientific instruments	949,000
Cement	393,000
Window glass, etc.	1,289,000
Glue, size, etc.	479,000
Paints and colours	1,273,000
Doors, sashes, etc.	1,148,000
Miscellaneous (an estimate)	9,240,000
	<hr/> £44,521,000

(b) *Manufactured articles imported for personal use or domestic industry (necessaries)—*

China and earthenware	£982,000
Clocks	434,000
Cotton goods and hosiery	5,771,000
Cutlery	34,000
Flint glass	1,025,000
Other glass	592,000
Hardware	1,369,000
Hats and bonnets	255,000
Boots and shoes	879,000
Gloves	1,720,000
Soap, etc.	429,000
Woodware	1,323,000
Woollen and worsted goods	9,320,000
Carpets	502,000
Zinc manufactures	490,000
Miscellaneous (an estimate)	5,000,000
	<hr/> £30,125,000

(c) *Manufactured articles imported for personal use (luxuries)—*

Cycles	£144,000
Fancy goods	1,296,000
Motor cars	1,103,000
Musical instruments	1,369,000
Printed paper	545,000
Silk goods	13,416,000
Toys and games	1,241,000
Watches	1,240,000
Miscellaneous (an estimate)	4,000,000
	<hr/> £24,354,000

Total (value <i>c.i.f.</i>)	<hr/> <hr/> £99,000,000
------------------------------	-------------------------

It will be observed that one-half the imports of manufactured articles from over sea (valued at £44,500,000 *c.i.f.*) may fairly be

grouped under Class (a). They form the sole protection (I use the word "protection" with intention) of the British manufacturer who uses them (either in the form of materials or plant) against the exactions of the manufacturers who produce the same articles in his own country. That it should be so is not very creditable to human nature; but it is a fact to which it is useless to shut one's eyes. The human factor is much the same in all countries; and the Germans, who talk so ardently of their devotion to the Fatherland, extort money from each other under the wing of the "Protective" tariff without compunction. German iron and steel manufacturers, for some time past, have been extorting high prices for their products, from German engineers, boiler-makers, and builders, while supplying the same commodities at much lower prices to foreigners! The German *Lokal-Anzeiger* states (January 1903), and states truly, that in consequence of the low prices at which coarse sheet metal is being sold abroad by the German syndicates, boilers and other articles used in shipbuilding can be made of German materials in foreign countries much more cheaply than they can be made at home, so that German boiler-makers and shipwrights are shut out of competition abroad! Nor is the iron trade the only one in which the same unpatriotic course has been adopted in Germany. Germans call semi-manufactured products "Half-materials" (*Halbzeug*), and the disputes between the producers and consumers of half-materials have even led to the formation of a "Half-material Producers' Association," which bickers and haggles with the "Union for the Protection of Half-material Consumers."

Our Free Trade system, on the other hand, allows the British manufacturer access to the cheapest and best markets in which to purchase, not only his plant and machinery, but the materials which he employs, whether those materials be quite raw, as cotton, or semi-manufactured, as pig-iron or steel plates, or fully manufactured, but yet materials, as leather or paper. His capital outlay is economised, not only by his ability to purchase the best machinery and plant known to progress on the best terms, but by the fact that he is able to build a cheap factory in which to establish his plant,

because the building contractor, in his turn, is able to draw his materials from the whole world, not merely from a small part of it. With duties on glass, cement, iron, and every other building material, the prime cost of a factory is enormously increased. Every manufacturer who fancies that a duty on his own particular manufactures would help him, should, therefore, pause and reflect how much that duty would be to his advantage after he had paid too much for his factory, too much for his plant, and too much for his materials, because of those other little duties designed to benefit the trades *in relation to which he is not a seller but a buyer*.

Before passing on to my next group (b), I should point out that such items as "baskets and basketware" and "brooms and brushes" obviously include articles used not only in manufacturing industry, but in domestic industry also. I have not attempted an analysis of such items, for the interests of accuracy are sufficiently served by the list as it stands.

Class (b) I have formed by grouping such manufactured articles imported as are devoted chiefly to personal or domestic use and are common necessities. The total is £30,000,000 (*c.i.f.*), and the imports which are included in it are the protection (again I use the word "protection" with intention) of the general consumer against that tendency of human nature that causes men to ask the highest price that circumstances enable them to place upon their wares. One is constrained to ask in this connection why the millions of persons engaged in industries without which our life would not be tolerable,—I refer to the carriers, and shopkeepers, and bakers, and civil servants, and clerks, and professional men, and domestic servants, and others, who have a pardonable anxiety to get the best possible value for every shilling they exchange for the necessities of existence,—should not be considered in relation to fiscal policy. To bake bread, is it not an honourable calling? Why, then, should a baker, master or man, be condemned to pay something towards the profits of the man who made his boots, his clothes, his furniture, his utensils? The baker is the prototype of millions of British citizens who would be taxed by a Protective

system without any corresponding advantage to themselves. And apart from the millions who are not actually employed in manufacturing industries, but yet are engaged in honest and necessary labour, we have to remember that each of us, whatever his calling, cannot be only a seller. He who sells must also buy, and even when Protection helps him to higher prices for what he sells, it at the same time raises the price of what he buys.

Class (c) I have formed by grouping such manufactured articles imported as may be regarded as luxuries. I have done this to accentuate how few of the many articles we buy from abroad can be regarded as other than necessities. The articles I have included are valued at £24,000,000 (*c.i.f.*) per annum, more than half of this being made up of silk goods. I have also included watches, while placing clocks in Class (b). My grouping is quite arbitrary, of course, and open to many objections, but I trust its purpose will be deemed useful. Few will be found to urge that duties on any of these articles which I have called or miscalled "luxuries," would be of advantage to the nation as a whole. A duty on foreign pianos, for instance, would not shut out the magnificent instruments of Bechstein or Steinway, which are bought because they are wanted; while, as to cheap pianos, to raise the price of the lower grade articles would but tax the general community for the sake of one particular minor trade. As to a watch or cycle, the obvious comment is that the enormous importation of cheap watches seems to show that we do not shine in their manufacture, while the small and decreasing importation of cycles as clearly indicates that we are more than able to hold our own in another direction.

Apart from the articles dealt with in these three groups, there are other semi-manufactured articles imported which appear in the 1902 trade returns under "metals," "chemicals," etc. But these are, of course, almost without exception, additions to Class (a), and I do not think I need elaborate this part of the subject further by detailing them. I pass to other general considerations.

As our native supplies of raw materials, with the exception of coal, are very limited in quantity, we are compelled to sustain our

Imports of some of the Chief Materials used in British Industry.

Materials.		In the Year 1887.	In the Year 1902.	Decrease.	Increase.
Bristles	lbs.	2,892,000	4,583,000	...	1,691,000
Indiarubber	cwts.	237,000	419,000	...	182,000
Cotton (Raw)	cwts.	15,995,000	16,221,000	...	226,000
Gutta Percha	cwts.	24,000	84,000	...	60,000
Hides, dry and wet	cwts.	1,150,000	948,000	202,000	...
Leather (i.e. Dressed Hides, Goat or Sheep Skins).	cwts.	758,000	1,199,000	...	441,000
Linen Yarn	lbs.	14,162,000	28,158,000	...	13,996,000
Copper (Ore, regulus and precipitate, and unwrought and part wrought)	tons	200,000	253,000	...	53,000
Iron Ore	tons	3,766,000	6,440,000	...	2,674,000
Lead (Ore, pig and sheet)	tons	132,000	232,000	...	100,000
Tin (Ore)	tons	1,400	10,500	...	9,100
Tin (Crude)	cwts.	519,000	703,000	...	184,000
Zinc (Ore)	tons	18,000	35,000	...	17,000
Zinc (Crude)	tons	57,000	88,000	...	31,000
Mica and Talc (first figure that of 1895)	cwts.	18,000	140,000	...	122,000
Cotton Seeds	tons	276,000	550,000	...	274,000
Rape Seeds	qrs.	382,000	228,000	154,000	...
Linseed	qrs.	2,299,000	1,828,000	471,000	...
Palm Oil	cwts.	968,000	1,446,000	...	478,000
Cocanut Oil	cwts.	181,000	496,000	...	315,000
Seed Oil	tons	15,000	35,000	...	20,000
Turpentine	cwts.	359,000	532,000	...	173,000
Paper-Making Materials (all kinds)	tons	378,000	743,000	...	365,000
Paper (unprinted, in- cluding pulp boards)	cwts.	1,692,000	6,300,000	...	4,608,000
Pyrites of Iron and Copper	tons	597,000	611,000	...	14,000
Silk (Knubs or waste)	cwts.	66,000	56,000	10,000	...
Silk (Raw)	lbs.	2,492,000	1,253,000	1,239,000	...
Silk (Thrown and spun) Skins, (Goat, seal, and sheep or lamb)	lbs.	454,000	805,000	...	351,000
Furs	No.	14,462,000	32,814,000	...	18,352,000
Stone and Marble	No.	25,134,000	52,913,000	...	27,779,000
Slates (first figure is that of 1895)	tons	373,000	1,173,000	...	800,000
Wood and Timber	No.	15,686,000	48,300,000	...	32,614,000
Furniture Woods	loads	5,654,000	9,608,000	...	3,954,000
House Frames, Fittings, etc.	tons	96,000	289,000	...	193,000
Wool and Hair	value	£488,000	£1,146,000	...	£658,000
	lbs.	599,451,000	676,408,000	...	76,957,000

industries by imports of material from oversea. That being the case, we have at hand the best of all possible tests as to the truth of the allegation that under Free Trade our industries are declining. I have therefore taken the trouble to set out clearly the facts as to our imports of the chief materials in 1887 and 1902 respectively, so that the reader can form his own opinion as to the progress or decline of our industries in the short period of fifteen years. The figures, as given by the Customs House, are printed on page 22. It seems to me impossible that anyone can examine this list without coming to the conclusion that in fifteen years British industry, as a whole, has grown and prospered exceedingly. It will be observed that there are very few items in which a decrease is shown, while, on the other hand, the importation of most of the important materials has increased by leaps and bounds.

Upon no point are more fallacies entertained than in regard to the function of export trade and its relation to the wealth of a country. Throughout Protectionist writings runs the assumption that to export is an end in itself. The chief of the Washington Treasury Bureau of Statistics recently embodied this hardy fallacy in a patriotic speech. It finds expression in that absurd phrase "balance of trade." We find it in Consular Reports, in the speeches of legislators, and in the mouths of Colonial Premiers. Let us export, it is said. Let us hasten to dig up our minerals, cut down our trees, gather in our grain, slaughter our herds, and export them to foreign countries as soon as possible. Listen to Mr. O. P. Austen, the chief of the Washington Bureau of Statistics. "I see," he recently said, in a speech to the American Association for the Advancement of Science, "a magnificent fleet of steamships, controlled by American capital and genius, and many of them flying the American flag, penetrating every sea, carrying American goods to every continent and every clime, and sending them to the interior of every country by American engines, in American cars, and upon American rails. I see the product of the American farm and factory in every land throughout the civilised world, and with this accomplishment, increased prosperity for American producers and manu-

facturers, and increased happiness among all classes of American citizens." Curiously, Mr. Austen had no vision of any fleet, American or foreign, bringing to the shores of America goods in payment for the wealth sent away. And just as Mr. Austen rejoices to think of America giving away its treasures, so the Protectionist fears the good gifts from America. Each of them, it is clear, has yet to learn that a nation, like an individual, profits by what it receives, not by what it parts with. We are enriched by our imports. Our exports impoverish us unless in return for them we receive as good or better value in imports. The best value in imports can only be secured by Free Trade, which allows a nation to purchase, in exchange for the products it has sent out of its borders, the cheapest and best things the world has to offer, without regard to any consideration but its own needs. In a word, the function of export trade is to increase imports. The enormous wealth of the United Kingdom is in great part made up of tribute from foreign nations, and we have achieved commercial supremacy by freely dealing in the wealth, not merely of our own little islands, but of the entire globe, laying every clime and every nation under tribute. If we had denied ourselves those foreign products we should not to-day be ruling the seas or holding a great part of the world in pawn. The riches of imperial Venice, which made her in her day mistress of the seas, were not the products of her lagoons, but the wealth of the East. Had Mr. Austen been Grand Vizier to Haroun al-Raschid I imagine he had been headless shortly after telling his master that he rejoiced to see the wealth of his native land distributed beyond the seas. The Caliph, I fancy, would have been better pleased to hear a tale of imports, of caravans of silks and ivory and precious stones. But, for some strange reason, we are now told to regard imports as "invasions," and implored to shut our ports to—*payment*. The history of an honest grain of corn is inquired into, and if it is found to be foreign, it is voted indigestible, and the true patriot is adjured to make it no part of his daily bread.

The fact that exports are in themselves a loss is admitted by Protectionists in regard to one article—coal. Coal, they say, should

not be parted with. Yet they gleefully record the exportation of pig-iron, which is of coal and ore and limestone compact, or of cotton goods, the shipment of every yard of which means the exportation of so much coal consumed in its manufacture. The fact is that a nation is ill-advised to send anything abroad unless it exchanges to good advantage. You cannot have exports without imports; at least you can, when you make a bad debt through giving those too long credits initiated by the scientific Germans in their anxiety to grow rich quickly.

The point is not discussed in the following articles, but it is important that the reader should note that Protection has really deserted its colours within the past few years, and taken refuge in that alluring word, "Zollverein," which, as the reader is doubtless aware, was "made in Germany," and signifies a Customs Union. A Zollverein, of course, is neither Free Trade nor Protection. The admission that Free Trade between the States entering into such a union is good is simply an admission that Protection is unwise, else had they better protect themselves against each other. The smaller the State, it is obvious, the more thorough the Protection; the larger the State or Empire, the less Protection can exist in any one part of it. Take the United States as an example. Its forty-five States or countries, each of considerable size, enjoy Free Trade with each other. An iron manufacturer in any particular State is exposed to the competition of iron manufacturers in the other States, yet he manages to prosper. Such is the folly of man, however, that iron manufacturers a little further north, in Canada, are convinced they need a *likin* barrier against the iron manufacturers down south on the same continent. If the American Civil War had ended differently, we should at this day see a political boundary line across America, and the manufacturers below that line clamouring for "Protection" against those north of it. Yet the Southern States to-day, exposed to the competition of the older industrial North, are going ahead at a wonderful rate. If Europe were the "United States of Europe," and adopted a Zollverein, does anyone really believe that Germany would be worse off because

exposed to the competition of England without duties against her? Let the reader trace the European countries on a map of America and ask himself: If Georgia may trade freely with New England (distance between them say 1000 miles), and both prosper, why should not Germany so trade with England (distance between them say 500 miles), or France with Ireland? The writer of a curious paper, recently read to the British Association, had the courage to carry the Protectionist idea to its logical conclusion by claiming Protection for Ireland against English and Scotch competition! Some people were unthinking enough to laugh at the suggestion, but if there is any virtue in Protection, Ireland is as much entitled as Canada or France to duties against England. If the neglect of Protection hurts a country, then Ireland is being injured by England and Scotland at this moment.

The folly of the "sort of a Zollverein" or "Preferential trading" proposals has just been illustrated by a shortage of meat supplies. A decline in American and Argentine meat exports arose *from natural causes*. Our colonies were therefore afforded the same opportunity to atone for the foreign deficiency as would exist if we created an artificial foreign shortage by means of Customs barriers. As we know to our cost, colonial meat producers were quite unable to rise to the occasion, and high meat prices and consequent suffering obtained here. Let those who would institute a Zollverein or a Preferential system pause and reflect that they are aiming at the sad results to our own people of drought and pestilence in foreign food exporting countries.

It is passing strange that an Imperialist can embrace the Protectionist belief. To colonise is not only to increase markets, but to increase competitors. Australia, for instance, is a market, but she is also a competitor, for example, of our wool producers. In the time to come she will also be a strong competitor of our woollen and worsted manufacturers. The more prosperous colonies we help to make the more we build up oversea competition. If we leave South Africa to itself it will develop slowly as a market and slowly also as a competitor. If we stimulate it with British capital



[Drawn by Edward W. Rife.]

A Problem for Protectionists. The European countries (except Russia) drawn to the same scale as the 45 countries forming the United States of America. (See page 30.)

and guidance South Africa will go ahead, first as a market and second as a competitor. To take an example, dynamite for the mines is manufactured in South Africa. If it were not, our home makers of explosives would have a better market for their wares, sharing it with the makers of dynamite on the Continent and elsewhere. *Local* competition is the strongest, as is always forgotten by those who have an unreasoning fear of *foreign* competition. What a reflection for the Protectionist! On the other hand, the Free Trader, secure in the wise belief that those persons, whether foreigners or colonials, who sell goods to us, will desire payment, and therefore stimulate our exports, can afford to rejoice when he sees our colonies growing from strength to strength. A Boer Transvaal would never be likely to develop manufacturing industries competing with our home manufacturers. A British Transvaal is more than likely to do so. Such a consideration does not disturb the equanimity of the Free Trader, who fears not American iron nor Canadian iron, American grain nor Australian grain. He only fears that supplies, through drought or whatever cause, may stop. The Protectionist, driven from one illogical position to another, first urges that both foreign and colonial exports are ruinous to us, and next begs us to distinguish between the importation of American (United States) grain, which is bad, and that of American (Canadian) grain, which is good! But the reader, I think, applying common sense to the facts of the case will agree that Protectionists cannot have it both ways. If Free Trade be desirable, then we should import freely from the whole world. If Protection be necessary, then it should not be relaxed in favour of any colony. It is high time that those who advocate Protection should make up their minds whether the arrival at our ports of products from overseas is a good thing or not.

Here is a good ship entering London port with bales of merchandise. Is she an enemy? Will the goods in her hold help to undermine our industries and take bread out of the mouths of our workmen? If so, let us keep her out, whatever flag she fly, foreign or colonial. On the other hand, are the goods she brings payment

for our exportations and other activities in connection with foreign trade and shipping? If so, let us welcome her, whether she be foreign or colonial, for she brings us, not a sword, but an addition to our wealth and comfort.

Now for the combat! *Allez!*

L. G. CHIOZZA.

166 FLEET STREET, LONDON, E.C.

February 1903.

FREE TRADE v. PROTECTION.



I.

THERE IS NO SUCH THING AS “FREE TRADE.”

By ERNEST E. WILLIAMS.

IN the original scheme of the ensuing series of articles, it was arranged that Mr. Harold Cox, the Secretary of the Cobden Club, should begin the attack. But subsequently the sequence was altered, the editor deeming it more in accordance with the established order of things that I, as the advocate of a change in fiscal policy, should open the attack. I should have preferred the earlier arrangement, and should justify its propriety upon the ground that, though the Free Trade system (if so such a one-sided system can be called) is at the present time established in this country's fiscal policy, yet, nevertheless, it cannot be regarded by economists as a really established and settled system. It was not the system of this country from the early Middle Ages up to 1846; it is not believed in at the present day by a large number of Englishmen, including English legislators and economists; it is not the system which obtains in other countries and in our own colonies. It is, therefore, only an experimental system, and is upon its trial; and, in view of the circumstances I have just related, the burden of proof, therefore, lies upon the champions of the system. It is for them

to show that the system is not the failure which the verdict of the rest of the world and the experience of all ages declares it to be.

This incidence of the burden of proof, moreover, becomes yet more obvious when we consider that the Free Trade policy is part and parcel of a system of political and economic thought—the Manchester school to wit—which in every other department of its activity has been thoroughly discredited in these latter days. The discredit is practically universal. Little Englandism, which was an essential of the Cobdenite creed, is now rejected by all but a dwindling and already most insignificant political rump. With regard to the great Manchester doctrine of “Laissez Faire,” the political party which adopted it has of late years been almost unanimous in denouncing it, and undermining it to the best of its ability. A legal eight hours’ day (frequently advocated by Mr. Cox), a minimum wage, stringent Factory Acts—what are these things but aggressive negations of “Laissez Faire”? The distinguishing doctrines of Manchesterism were “Laissez Faire” in industrial and social legislation, Little Englandism in Imperial politics, Free Imports in international trade. The first two of these cardinal doctrines have been ruthlessly expelled from the political thought of this country; the remaining article of faith is surely upon its trial.

Therefore I am waiting to know how the champion of Free Trade proposes to justify his all but universally discredited system. But in the meantime, since the editor has commanded me to open the ball, it will not, I think, be out of place if I just record briefly how I came to be a Protectionist.

Englishmen are terribly insular; and, like the rest of my race, I did not, at one time, trouble my head about the question of Free Trade *versus* Protection; though the circumstance that the rest of the world was Protectionist and England enjoyed a monopoly of Free Trade should at least have set me wondering whether it was really the fact that England was right and the rest of the world was wrong. Like the majority of my countrymen, I just

accepted Free Trade as part of the British Constitution, as one of those axiomatic things which men do not speculate about.

Then, in 1895, I was asked by Mr. Heinemann, the publisher, and Mr. Henley, the editor of the *New Review*, to write about the growth of German competition with English trade. I was given a free hand in the matter, subject only to a sort of pathetic request that I would leave bimetallism alone, and with a suggestion that I should probably find the main cause of the trouble in the operation of the Merchandise Marks Act. Thereupon I plunged into my investigations. Almost the first thing which struck me—and "struck" is the right word; for it came as a sudden shock—was that our Free Trade system had probably a good deal to do with the matter. But at once I tried to put the thing from me. I had already drafted my opening sentences, wherein I disclaimed the holding of a brief for Fair Trade or any other particular or heretical doctrine whatsoever. I did not mean my work to be a contribution to Protectionist literature—although I was soon warned, by a Free Trader, that the very nature of my subject involved as much; so I ranged diligently over the whole field of industrial enterprise in search of other reasons for the actual or threatened decay of England's industrial supremacy. I brought up the facts relating to our backward technical education; I tried to be satirical at the expense of conservative British traders; I begged for a better consular service; I attacked shipping rings and railway rates. I tried hard to make my case complete without a reference to the policy of free imports. It was no use. Ever the hopelessness of seeking the security of our national industry without a return to some form of Protection came back upon me, and with growing insistence; so much so that when I reached the final stages of my work, I sought my editor and publisher in distress, and told them that to leave out Protection would be to play "Hamlet" without the Prince. And their reply was to the effect of the blackmail victim's historic retort, "Publish and be damned"—save that the damnatory clause was in this instance applied to the Free Trade enthusiasts among the public. So the advocacy

of a change in our fiscal system went into my book, and I was branded a Protectionist.

I have had no reason since to regret the name. I am as firmly convinced to-day as at any time during the last five years, that this country places itself at a graver disadvantage than even its great natural opportunities permit it to withstand by its policy of granting free admission to the surplus products of the world. I advocate Protection—

1. *Because there is no such thing as Free Trade, and other countries refuse to admit our merchandise free into their ports.*

2. *Because under the ægis of Protection, other countries have developed industries which would not have been developed to such an extent had they granted free admission to foreign, and particularly to English, manufactures.*

3. *Because by so doing these other countries have become wealthy and self-supporting communities.*

4. *Because England's supremacy is being gravely challenged, and has already begun to decline under her Free Trade system, and under the attacks of Protectionist countries.*

5. *Because economic self-containment, particularly in the matter of food supply, is a necessity to the well-being of any country, and can in this country only be secured by a return to Protection.*

6. *Because the experience of other countries shows that manufacturing greatness and a big foreign trade are not incompatible with Protection, even to agriculture.*

7. *Because the country's revenue can best be raised from import duties.*

ERNEST E. WILLIAMS.

II.

THE CASE FOR FREE TRADE.

By HAROLD COX.

MR. WILLIAMS has filled his first article with matter which is largely irrelevant, and still more largely discourteous. Doubtless he had in mind the tradition of the Old Bailey, that in defending a bad case you should always confine yourself to abusing the other side. I do not propose to abuse Mr. Williams. I prefer to state my case.

The case for Free Trade is essentially the same as the case for division of labour. It is impossible for one man to make for himself every commodity he requires, unless he is content to go about as a naked savage and live on wild berries. In the same way, if a nation attempts to be self-sufficing, it must forego many of the comforts and most of the luxuries of life. In England, for example, if we were absolutely to close our ports to all foreign commerce we could not make even such a typically English article as a Christmas pudding. For the raisins and currants and almonds and sugar that form such a large part of its composition, and the spices that help to flavour it, all come from abroad. In France, with a greater range of climate, there is a greater range of products; but France also is entirely unable to supply all her wants from her own soil. To take only one example, her most popular national beverage, coffee, is of foreign production. In the same way, the ever-burning pipe of the Teuton is filled with foreign tobacco, and it is foreign tea that is steeped in Russian samovars.

The point need not be elaborated further. Even the Protec-

tionists admit that it is desirable to import some commodities from abroad. Where they draw the line is at commodities that can be produced at home. On their theory we ought to be willing to import oranges from Spain, but not apples from Canada; cotton from the United States, but not wool from Australia; sugar from the West Indies, but not wheat from the East Indies; olives from the Riviera, but not potatoes from the Channel Islands. The reason for this distinction is, that the Protectionist holds that a nation becomes richer by keeping at home all industries that are possible at home.

To anyone who has mastered the principle of the division of labour, and has taken the trouble to reflect upon it, such a proposition is absurd. I can wash linen—after a fashion—and I can also, after a fashion, write articles. On Protectionist principles, since it is possible for me to wash my own linen, I ought to do it myself. I shall then grow richer by saving my laundry bill. Personally, I find it more profitable to spend my time in writing articles, and I cheerfully use part of the proceeds in paying the laundress. In exactly the same way it is more profitable to the nation to concentrate its energies on the work that it does best. We British folk, for example, are remarkably successful as builders of ships; we are rather poor as potato growers, at any rate in the early sorts. It is, therefore, a distinct gain to the nation to sell ships to foreigners, and to use part of the money so earned in buying Jersey potatoes.

It may be asked, how are we to know which industries pay us best? The answer is, that the most profitable industry is obviously the one that is best able to take care of itself, and therefore if the State observes complete neutrality, the most profitable industries will receive the greatest extension, while the less profitable will decline. The decline of the latter, be it well understood, is not a national loss, but a national gain; just as it is a gain to me to put out my washing.

This principle is so fundamental that it is well to illustrate it with other examples. If there were any economic virtue in the

Protectionist ideal of a self-sufficing community we should certainly find manufacturers attempting to realise that ideal, as far as possible, within their own works. In practice they rarely do so. For example, in the Lancashire cotton industry, it is generally found more convenient for one firm to concentrate on spinning, and to sell the yarn to another firm that concentrates on weaving. In the Yorkshire woollen industry there is a further differentiation, wool-combing being a trade apart from wool-spinning. Coloured goods involve still another trade. The weaver—or manufacturer, as with local pride he loves to call himself—does not, except in rare instances, either dye or print the fabrics he produces. He sends them instead to persons who have made a speciality of these industries, though the goods have sometimes to be carried half across the kingdom and back again. It is surely safe to assume that, unless there were some practical advantage in this specialisation of industries, it would not continue to be practised by manufacturers, who are working under the stress of keen competition, and who are constantly on the lookout for chances of increased profit. Moreover, the process, instead of diminishing, tends to increase. The most up-to-date American and British manufacturers find that it pays them best to devote their whole energies to the production of one particular article, or group of articles, of which they have made a speciality.

All the Free Trader asks is that no artificial restrictions shall be placed upon this spontaneous development of industry. Happily, even the Protectionists have ceased to demand restrictions within the coast line of the United Kingdom. The barriers to trade between England and Scotland, and between Ireland and Great Britain, have been finally abolished, and the restrictive rules of the old trade guilds have been swept away. What is perhaps even more important, we have been spending millions upon millions of money in facilitating communications between different parts of the country. The capital invested in railways alone in the United Kingdom amounts to at least £800,000,000 of real cash. In addition, we have constructed thousands of miles of macadamised

road, and have dug canals and deepened harbours, and sunk millions of pounds in docks and wharves and warehouses. On true Protectionist principles, all this expenditure was worse than waste. The greater facility for intercommunication between different parts of the country, added to complete freedom of trade, has enabled the Lancashire manufacturer to flood Yorkshire with his cheap calicoes; has given Belfast linen a commanding position in the London market; and actually brings Irish butter to Kentish villages at a cheaper rate than the neighbouring farmers care to produce it. Yet there is no doubt Yorkshire could produce calicoes as well as Lancashire, if Yorkshire had a mind to do it. They prefer to specialise in woollens. It is equally certain that England could supply herself with linen, if she chose to devote to that purpose the land and capital and labour she now employs to greater advantage in other industries. In the same way the Kentish farmer could, if he chose, supply all his neighbours with butter; it pays him better to grow hops and strawberries. A farmer can only get one crop off one field at one time; the Kentish fields are best adapted to the production of fruit; Irish meadows are unrivalled for producing butter. It is an advantage to the labourers of Kent to be able to buy Cork butter without let or hindrance, and it is an equal advantage to the Irish farmer to be able to sell freely in the English market.

The general justification for freedom of trade thus rests on two propositions—first, that the specialisation of industry enables more wealth to be produced with less labour; and, secondly, that the individual is better able to determine for himself what industry he can most profitably pursue than any Government can determine for him. I contend that these propositions in no way depend upon political relationships; that while they explain the existing free trade between Middlesex and Midlothian, and Birmingham and Belfast, they would equally justify an equal freedom of trade between Paris and Berlin, and London and St. Petersburg.

HAROLD COX.

III.

FOR PROTECTION.

By ERNEST E. WILLIAMS.

I AM sorry that Mr. Cox has begun by losing his temper; disputants usually leave that development to a later stage. I was not discourteous. But let it pass.

Mr. Cox further accuses my first article of being "largely irrelevant." It is, of course, open to him to make that criticism upon the body of my article if he thinks my statements irrelevant, but it is not open to him to treat as irrelevant the concluding paragraphs (which the editor was good enough to italicise), and in which I put forward, in seven numbered paragraphs, the case of Protection as illustrated by seven definite reasons. My hope was that this would form a convenient and pertinent basis for the subsequent discussion—that Mr. Cox would deal with the reasons *seriatim*, admitting or rejecting them, and in the latter case adducing his reasons. Mr. Cox has instead chosen to ignore them.

But Mr. Cox's charge of irrelevance against me is the more extraordinary in view of the patent irrelevance of much of his own article, a considerable part of which consists in labouring two points which are not at issue between Protectionists and Free Traders—namely, the need for some imports into England and the lack of need for import barriers between the different counties of England. As Protectionists have never proposed to prohibit all imports, and have not the slightest intention of suggesting tariff barriers between the different counties of the United Kingdom, Mr. Cox might advantageously have filled his columns with something more pertinent

to the subject under discussion. There is quite enough contentious matter at issue between the two schools without introducing questions which are not in dispute.

But in drawing attention to this circumstance, let it not be thought that I am desirous of running away from an analogous question raised by Mr. Cox, which is pertinent to our discussion. Mr. Cox contends that the reasons which "explain the existing free trade between Middlesex and Midlothian, and Birmingham and Belfast, would equally justify an equal freedom of trade between Paris and Berlin, and London and St. Petersburg." It is well that Mr. Cox should have raised this question, because it is one of the principal stumbling-blocks in some minds to an acceptance of the Protectionist position. There are men who feel that there is a logical force in the argument. They are convinced all the time that the difference between two neighbouring English towns is not as the difference between England and a foreign country, but the theoretical economic argument oppresses them. Let me assure all who are so oppressed that they are right as to the difference in the difference, and that a little quiet, clear thinking will make the reasons for the difference apparent.

Begin by meditating awhile upon the motto of *Commercial Intelligence*: "Our country's welfare is our first concern." That will give the key. I am, of course, assuming that you are not one of those curiously constituted cosmopolitan Englishmen who love every country but their own, but that the spirit of Mr. Sell's motto awakens a harmonious response in your own mind. This will bring you to the stage at which you will see that there is a close bond of mutual welfare between Lancashire and Yorkshire, and Kent and Middlesex, which does not exist between England and France, or between any other two nations which have patriotic instincts, and that the very existence of this bond implies a certain divergence in aim between those united in the bond and those outside it. Then you come to the remaining point: How does this patriotism affect trade relations in the different cases? Every man's first interest is centred in himself. But he gives up a

certain part of this interest in the first instance to his family, because the family bond carries with it certain other advantages which make it advantageous, upon balance, for a man to give up some little part of his advantage to the rest of the family. Similarly in kind, though not to quite such a degree, a man in his industrial capacity will, for other value received, be willing to give up to his fellow-citizens and fellow-countrymen some part of his own immediate advantage. The merging, to some extent, of his own welfare in that of the community around him has its compensations, among them being those implied in the phrase, Union is strength. Thus it would be to a man's own immediate advantage and to a town's own immediate advantage if the Government would protect the industry of that man and that town against all competitors. But owing to the advantages which association in one nation, under one government, brings, a man and a town do not ask for such narrow protection, which is hardly compatible with nationhood. They only ask that the trade of the nation of which they form part shall be protected. In point of fact—and it is an admirable illustration of the argument—the idea of national protection is now being extended to embrace the whole of the British Empire. The different sections of the Empire ask for a certain amount of local protection to their sections, but, in the offer of preferential trade to the other sections of the Empire, they show themselves willing, for the sake of the advantages flowing from membership in a great Empire, whose industrial welfare is their concern, to deny their own section full protection, in order that a certain amount of it 4 may be given to the other sections of the Empire. Unless this view is admitted, all attempts to promote the national trade fall to the ground for lack of a basis. Certainly the *raison d'être* of *Commercial Intelligence* disappears. To sum up, it would be an advantage to a county to be protected against other counties, but there are obvious and sufficient reasons why this advantage should be foregone; and they are reasons which do not apply in respect to the relations between England and foreign countries.

In Mr. Cox's article there is a point of fact which needs

correction. Mr. Cox, arguing in favour of specialisation of industries, which he thinks is favourable to the Free Trade theory, says: "The most up-to-date American and British manufacturers find that it pays them best to devote their whole energies to the production of one particular article or group of articles, of which they have made a speciality." If Mr. Cox will consult the latest practice of the most successful American manufacturers, he will find that it is not so. That most successful industrial organisation in the world, the Carnegie Steel Company, owes no small part of its stupendous success to the adoption of the exactly opposite system. The Carnegie Company has its own iron mines (and, I think, its own coal mines), its own railway and vessels for carrying the ore, its own smelting furnaces, its own mills and workshops of all kinds; and it is largely because of the advantages of organisation and the saving of profits to other firms which this amalgamation produces, that the Carnegie Company is getting the iron and steel trades of the world into its own hands.

One more point. Mr. Cox asserts that "the most profitable industry is obviously one that is best able to take care of itself." Here he confuses the applications of the word "profitable." In the interests of the nation it is profitable that agriculture should flourish; a comparison of the birth returns in urban and rural districts, and a glance at what would happen if two big naval powers commenced war upon England, make this apparent. Mr. Cox leaves this sort of profitableness out of his calculations. Again, an industry exposed to foreign competition of a particularly severe kind ceases to be profitable to those engaged in it, whereas if protected against that competition it is profitable. Sugar-refining in England is a case in point. It was one of our most profitable industries until Free Trade and the European bounty system made it unprofitable.

And now I will beg Mr. Cox to deal with my categorical charges—to say which, if any, of the seven propositions enumerated in my first article he accepts, and which, if any, he denies, and in the latter case to give the reasons for his denial. Let us get to close grips as soon as possible.

ERNEST E. WILLIAMS.

IV.

FOR FREE TRADE.

By HAROLD COX.

I AM glad that my protest against what appeared to me the discourtesy and irrelevance of Mr. Williams's first article has produced the result I hoped. His second article is entirely to the point, and, if he will permit me to say so, worthy of the subject.

Mr. Williams complains that I did not answer the seven statements italicised in his first article. I certainly did not attempt to deal in one article with seven separate statements, but my whole argument was in effect, and was intended to be, a reply to the italicised statement:—" *That economic self-containment is a necessity to the well-being of any country.*" To this general statement Mr. Williams added a particular reference to the question of food supply. With this I am quite prepared to deal later. It is the general statement with which we are first concerned, for that statement forms the keystone of the Protectionist position, and, until it is displaced, no progress can be made.

Mr. Williams now modifies his statement by explaining that it only applies to countries that are politically independent of one another. It was to extort that admission that I dwelt upon the absurdity of setting up tariff barriers between different countries of the United Kingdom. Mr. Williams replies that no Protectionist asks for such a thing. Not to-day, perhaps! Yet, it is little more than a hundred years since there were tariff barriers between Ireland and Great Britain, although both were under the same King. At the same period, internal trade in France was hampered

by almost impassable tariff barriers between province and province. Nor need we go back a hundred years. Even now, Protectionists across the water apply their principles regardless of political associations. The people of Canada are as loyal to the Empire as we ourselves in England, yet, while they are ready to give their blood in England's quarrels, they make no scruples of building up a tariff wall to shut out the manufactures of the Mother Country. Evidently, they do not accept Mr. Williams's qualification of the high Protectionist theory.

The truth is, that the existence of Protectionist barriers depends not upon political, but upon fiscal divisions. If Wales, for example, were made a separate fiscal unit, with her own exchequer and her own inland revenue and customs officials, it would at once become possible to establish a protective tariff between these two portions of one island and one kingdom. And as soon as that possibility existed, some interested person on one side or other of the line would promptly raise a cry for Protection—some Sussex landowner, for example, would discover that English agriculture was being ruined by the competition of Welsh mutton. For the life of me I cannot see what difference in principle there is to justify a protective tariff between Canada and the United Kingdom, and to condemn such a tariff between Wales and England. The whole difference is, that Protection in one case is fiscally possible, and in the other fiscally impossible.

In the same way there is no protective tariff between the Grand Duchy of Luxemburg and the German Empire, because these countries, though politically independent, are fiscally united. The Grand Duchy is not part of the Empire, but it is part of the Zollverein. The German Empire itself is a striking illustration of the same principle, for the establishment of the Zollverein preceded the establishment of the Empire, and during the intervening period, States, which were entirely independent of one another politically, joined in a fiscal union, and established a common exchequer for customs revenue, so as to get rid of the tariff obstacles to their mutual trade.

These illustrations, by themselves, discredit Mr. Williams's modified theory that countries which are politically independent of one another ought to be economically self-contained. But the point is so important, that it is worth while to deal with it from another aspect. Mr. Williams is able to see clearly enough that if Lancashire and Yorkshire were each to aim at economic self-containment they would both lose many of the advantages of their common nationhood. He is unable to see that if England and France set before themselves the same false ideal, they, in turn, would lose many of the advantages which their common humanity gives to both.

I am not one of those persons who prefer every country to their own. On the contrary, for me, my own country comes first, and would still come first even if I thought her wrong. But though I attach at least as much importance to the virtue of patriotism as any Protectionist can do, I do not hold that patriotism requires us constantly to strive to injure our neighbours, and, still less, that it requires us to injure ourselves on the off-chance of injuring them. In the first place, the more prosperous our neighbours are, the more profitable will be our trade with them. In the second place—apart altogether from their interest in the matter—it is our interest to give free entry to any useful commodities they choose to send us. L

The first point hardly needs proof, yet it is constantly forgotten. Every tradesman knows that it is better to deal with rich customers than with poor ones. To the poor he can only sell cheap articles cut to the finest margin of profit. The rich will pay readily for choicer goods, requiring better workmanship and more costly materials, and bringing a higher profit to all the agents through whose hands they pass. Yet, in spite of these very obvious considerations, people often talk as if the prosperity of the Germans, who are among our best customers, were an injury to us. On the contrary, the richer the Germans are, the better business we shall do with them, and if it should happen that their recent somewhat inflated prosperity should be followed—as I fear is now the case—

by a period of grave commercial depression, their misfortune will certainly act injuriously upon our trade. In the same way, if our prosperity were to vanish, Germany and France and America—indeed, the whole world—would share in the disaster.

The second point would be equally obvious if our minds were not habitually muddled by the use of money in our personal commercial transactions. The convenient practice of using money as a universal medium of exchange, inevitably breeds the fancy that it is the money itself we want and not the things that the money is exchanged for. So powerful was this delusion a little more than a century ago, that laws were actually in force to prevent the export of gold and silver, as if the country could be made happier or healthier, or safer from its enemies, by piling up, like a miser, round pieces of metal. The delusion seems still partly to linger in the minds of modern Protectionists. At any rate, they seem unable to grasp the fact that the purchase of goods from abroad is only one-half of a two-sided transaction. They fail to see that every purchase implies a sale, either of goods or services, and that the more we buy from our neighbours, the more we must sell to them, or to others from whom they in turn will buy—in a word, that our import trade is the necessary counterpart of our export trade, and that we cannot diminish one without also diminishing the other.

A moment's consideration will show that this must be so. Our neighbours will not, permanently, be foolish enough to give us gratis the good things they produce; and we have nothing to offer in exchange for their goods except our own goods and our own services—as sea carriers, capitalists, international bankers, colonial administrators, etc. England produces neither gold nor silver. On the contrary, we consume both. During the last forty years we have imported on balance, and absorbed for our own use, of gold alone, nearly £150,000,000. It is, therefore, with goods or services that we must pay for the goods we buy, and it follows that the individual Englishman encourages home industries every bit as much by buying an article made in Germany as by buying one made in England.

More than that, if the foreign article is, for the same quality, cheaper than the English article, it is actually better for the nation that the foreign article should be bought. For its relative cheapness proves that, in this particular direction, the foreigner possesses some greater facility for production than we possess, and, therefore, it is better to obtain this commodity from him rather than go to the greater expense of making it for ourselves.

Take, for example, silk, and assume that a sovereign will buy either a greater length or a finer quality of French than of English silk. It is, under such circumstances, better for the nation, as well as for the individual purchaser, that the sovereign should be spent upon French and not on English silk. Because, firstly, a more desirable commodity is secured in exchange for the same unit of value; and, secondly, English capitalists are discouraged from putting their money into silk weaving, which, by hypothesis we do badly, and are encouraged to develop instead those national industries in which we prove our superiority by commanding a market abroad. For it is hardly necessary to repeat that, in exchange for the French silk, it is not the English sovereign that goes abroad, but a sovereign's worth of English cotton or English hardware.

Mr. Williams, unless I have misread his second article, seems inclined to admit this, to admit, at any rate, that under Free Trade the most profitable industries will be developed and the less profitable tend to disappear. But he argues that the word "profitable" is of limited application, and that, from a national point of view, it may be worth while to make a sacrifice of profit in order to encourage—at the expense, of course, of all other industries—certain particular industries, which he regards as of national importance. He mentions agriculture and sugar-refining. I am quite willing to argue both points, but before doing so, I should like to know whether these are the only industries which he desires specially to encourage.

HAROLD COX.

V.

FOR PROTECTION.

By ERNEST E. WILLIAMS.

WE must really get this controversy down to some definiteness, some statistical statement of the position, so to speak, as we go along, else readers will get terribly muddled as to the progress of the controversy, and perhaps the participants also.

At present we have not made much headway. Of the seven reasons in favour of Protection which form the basis of our discussion a part of one only has as yet been replied to by the Free Trade champion. I apologise to Mr. Cox for my denseness in not having seen, until he pointed out the fact in his second article, that we had even got so far, and must excuse myself upon the ground that I was not looking for him to begin with the fifth proposition, and that I was looking for a categorical reply—the “short answer,” to use the lawyer’s phrase. I think it would be more convenient, and would make it easier for readers to follow the controversy, if he would provide a short answer to each of the propositions he disputes; and, if I might ask this favour, that the editor should keep the seven points in type each week, with Mr. Cox’s short answers in a parallel column (as Mr. Cox arrives at them). Readers would then, to use a sporting phrase, be able to see at a glance how the game stands. Pending the acceptance of this arrangement, I will refresh my readers’ memories by recapitulating the seven points in favour of Protection with which I opened this discussion.

I advocate Protection—

1. *Because there is no such thing as Free Trade, and other countries refuse to admit our merchandise free into their ports.*

2. *Because under the ægis of Protection, other countries have developed industries which would not have been developed to such an extent had they granted free admission to foreign, and particularly to English, manufactures.*

3. *Because by so doing these other countries have become wealthy and self-supporting communities.*

4. *Because England's supremacy is being gravely challenged, and has already begun to decline under her Free Trade system, and under the attacks of Protectionist countries.*

5. *Because economic self-containment, particularly in the matter of food supply, is a necessity to the well-being of any country, and can in this country only be secured by a return to Protection.*

6. *Because the experience of other countries shows that manufacturing greatness and a big foreign trade are not incompatible with Protection, even to agriculture.*

7. *Because the country's revenue can best be raised from import duties.*

In his second article Mr. Cox says that he is "quite prepared to deal later" with the words "particularly in the matter of food supply" in Point No. 5, and when he has done this we shall have one proposition disposed of. Meanwhile, let me try to make the position clear to the reader's mind by constructing, from Mr. Cox's long answer, the short answer needful to focus the present stage of the controversy.

"If a nation attempts to be self-sufficing it must forego many of the comforts and most of the luxuries of life. . . . It is more profitable to the nation to concentrate its energies on the work that it does best. . . . If Lancashire and Yorkshire were each to aim at economic self-containment they would both lose many of the advantages of their common nationhood. . . . If England and France set before themselves the same false ideals, they, in turn, would lose many of the advantages which their common humanity gives to both."

These extracts from Mr. Cox's two articles contain, I think, the pith of his answer to that part of my fifth proposition with which he has dealt. If they do not adequately represent it he will correct me. It is unfortunate that he should have deliberately omitted the food supply question, because a discussion of economic self-containment without reference to food supply is like a performance of "Hamlet" minus the rôle of the Prince. Mr. Cox will, therefore, forgive me if, in the course of the few remarks I wish to make, by way of rejoinder to his reply, I introduce this most integral factor.

First, then, I demur to Mr. Cox's answer, in that he strains my meaning of the expression "economic self-containment," and reads into it an extreme of literalness which it was not my intention to convey, which I feel sure was not conveyed into the mind of intelligent and impartial readers, and which is not imported into the term in its current use. France and the United States are currently spoken of as economically self-contained countries. They are countries, that is to say, which can and do provide themselves with all the necessaries, most of the ordinary comforts, and many of the luxuries of life. The fact that they import certain commodities does not affect the principle or the common-sense application of the term "economic self-containment." They are economically self-contained in the sense that a complete blockade of their shores and frontiers would not debar the inhabitants from obtaining food and clothing, materials of shelter, and the greater part of the customary material appanages of civilised life. Mr. Cox does not explicitly say that this is not a desirable condition for a country, but he implicitly denies it. To my mind, on the other hand, such a national condition is a desideratum of the highest importance. The fact that I used the words "particularly in the matter of food supply" is sufficient proof that I did not mean "by economic self-containment" a rigid exclusion of all imported commodities. These words are also worth emphasizing in relation to their positive value, because it is above all necessary for a nation's well-being that it should be able to feed itself, as this country would feel to its cost in the case of a great war, when its ports would be blockaded, or the energies of the

fleet, which would be wanted for other purposes, would be dissipated in the arduous work of conveying grain ships into our ports. It is a well-known fact, further, that by a few huge but practical financial operations, the enemy might corner the world's wheat supply, so that there would not be any food to convoy. The experience of history is a warning against a country abandoning its elementary duty of being in a position to feed itself. Mere trading nations have had brilliant records, but their time has been short, and they have not been able to withstand the attack in the hour of need. Modern conditions of English life also point to the need for a healthful rural industry. It is said that families of Londoners, if there be no admixture of country blood, disappear in the third generation. And thinkers and statisticians to-day, who do not concern themselves at all with Protection as such, are gravely alarmed at the depletion of our countryside, and the ever-continued crowding into cities. The health and vigour—nay, owing to the decreased birth-rate—the very existence of the nation is thereby most seriously imperilled. "Back to the Land" is going to be one of the most urgent cries of the future. Now, even Mr. Cox, I imagine, will not deny that this cry can only be answered by a return to Protection.

Secondly, I demur to the implication in Mr. Cox's statement that "it is more profitable to the nation to concentrate its energies on the work that it does best." In practice and under modern industrial conditions that phrase is meaningless. One nation can build ships as well as another, one nation can manufacture cotton goods as well as another, can make steel rails as well as another. It is only a question of capital, energy, and time for learning, and afterwards of taking such steps as will prevent the under-paid labour or the huge accumulation of capital of foreign rivals from crushing the native industry. And it is eminently desirable for a nation's well-being that its industries and their profitable exploitation by the workmen and the capitalists engaged in them should not be so crushed. The territorial division of labour is largely a myth.

I have not left myself space to comment upon the detailed statements, the accuracy of some of which I cannot admit, in Mr.

Cox's last article, but if I refer to one it will perhaps suffice. Mr. Cox says: "The more prosperous our neighbours are the more profitable will be our trade with them." In the face of the hugely growing prosperity of the United States, and of the growing unprofitableness of our trade with them, this astounding statement needs perhaps only to be put upon record as an example of the sort of missile which Free Traders regard as good enough to hurl at Protectionists.

Mr. Cox wants to know whether agriculture and sugar-refining are the only industries which I desire specially to encourage. This seems an extraordinary question. These two industries are distinctly mentioned by me as illustrations. If they were meant to be exclusive they would hardly be illustrations, would they?

ERNEST E. WILLIAMS.

VI.

FOR FREE TRADE.

By HAROLD COX.

I AM sorry that Mr. Williams thinks we are making no progress. It appears to me that we are getting along very nicely. He began by laying down seven propositions, some of them, as I shall show in due course, hardly worth separate enumeration. One alone went to the root of the matter, and this I first selected for attack. It is the statement that "economic self-containment, particularly in the matter of food supply, is a necessity to the well-being of any country, and can, in this country, only be secured by a return to Protection." This proposition, as I pointed out, is the very keystone of the Protectionist position. I have shown that economic self-containment, so far from being essential to the well-being of a country, is impossible if a high standard of well-being is to be maintained. Mr. Williams now admits this. He admits that when he said "self-containment" he did not mean it literally. On the contrary, he believes with me that the interchange of commodities between nation and nation is necessary and beneficial. Surely this is a very great step forward. We are now in complete agreement as to the value of international trade; the only point at issue is, whether the individuals engaged in that trade should be left free to conduct it in the way they find most convenient and profitable, or whether the State should restrict their liberty for some alleged superior national interest. Even here we draw close together, for I admit that in principle the State is justified in restricting the liberty of its subjects where that liberty conflicts with

the interests of the nation as a whole. My whole contention is, that those particular restrictions upon individual liberty which Protectionists advocate are not defensible either in theory or in practice. It was in order to get to close quarters with this point that I asked Mr. Williams to specify what particular industries, in addition to agriculture, he wishes to encourage by a Protectionist tariff. His only reply is to lay further stress upon the importance of agriculture. With that point I will, therefore, now deal.

First, however, let me say a word about Mr. Williams's new definition of his phrase "economic self-containment." This is not to be taken literally, we are told. The phrase only means that degree of self-containment that France and the United States possess. It is curious that Mr. Williams did not mention Germany, which he has so often held up as an example to us benighted Britishers. Possibly he had noticed that Germany, in spite of her Protectionist tariff, is every year becoming more dependent upon imported food. In 1898, the last year for which I have complete figures,* she spent over £42,000,000 on imported corn, flour, potatoes, and eggs. As for the United States, I should feel little surprise if such a huge territory were in the most literal sense economically self-contained. It is a world in itself. But as a matter of fact, in spite of her enormous territory, the United States, during the past five years, has imported agricultural products alone to the average value of £73,000,000 a year. If this be "economic self-containment," there is no tangible meaning left in the phrase. As for France, Mr. Williams must have been dosing when the word slipped from his pen. It may be the ideal of French Protectionists to make their country self-contained. They have certainly not succeeded. Here are some of the principal imports into France in the year 1898.

France—Principal Imports.

Coal	.	.	.	.	.	.	8.3 million £
Coffee	.	.	.	.	.	.	4.3 " "

* This article was written in 1901.—L. G. C.

Cotton (raw)	6.6 million £
Oil seeds	5.5 " "
Wheat and flour	18.2 " "
Hides and skins	5.2 " "
Silk (raw)	9.4 " "
Timber	5.9 " "
Wine	12.4 " "
Wool (raw)	16.3 " "

In addition, France imports in large quantities cheese and butter and lard. She imports meat and fruit, jute and flax; she imports dyestuffs for her fabrics, fertilisers for her soil, and machinery for her industries; and, finally, she imports very considerable quantities of finished goods. If France were cut off from foreign supplies, her staple industries would be ruined for want of raw material, and her operatives would be walking the streets clamouring for work. Even in the matter of food supply, France is not self-contained, in spite of the heavy protection that the landed interest has been able to wring from successive Governments. Every year she imports some foreign wheat, as well as other foreign food; and when her own harvest is short, the imports of foreign wheat leap up, as in 1898. More than once the French Government has had to suspend the duties upon foreign wheat and to throw open her ports in order to prevent the poor from starving. Mr. Williams must look elsewhere for his "economically self-contained" country.

I now turn to the question, whether it is desirable to give special encouragement to the agricultural industry of England, at the expense, of course, of all the other industries of the country. This is a question to which Mr. Williams rightly attaches great importance. He points out that our towns are overcrowded and our fields deserted, and he echoes the cry "Back to the Land." Let me say at once that all my sympathies respond to that cry. Fate compels me to live in London, but I loathe its foul atmosphere and its squalid crowded streets, and I long for some miracle to remove this

ugly wen from the fair face of England. But when Mr. Williams asserts that Protection will bring us all back to the land, it is difficult to suppress a smile. The overgrowth of great cities, and the simultaneous desertion of the countryside, is not a purely English phenomenon, it is of world-wide occurrence. I must again remind Mr. Williams that there is such a place as Germany, and that Germany rejoices in a protective tariff. Yet, if Mr. Williams will consult any recent work on the statistics of population, he will find that, in spite of German protection to agriculture, in spite of the artificial stimulus given to the beetroot industry, in spite of the very considerable number of small industries still carried on in villages, the rural population of Germany is either declining or stationary. On the other hand, the great towns in Germany are increasing in size with alarming rapidity. In 1871 only 4·8 of the German population lived in "large" towns, *i.e.* towns with more than 100,000 inhabitants. Such towns now give shelter—after a fashion—to 12·1 per cent. of the total population. A good many of the 12 per cent. find sleeping accommodation in the cellars of Berlin.

In France the story is much the same, though the growth is somewhat slower. Between 1851 and 1891 the urban population increased from 25·5 per cent. to 37·4 per cent. of the total, though it is the special object of French Ministers to protect agriculture. In many of the rural departments the population is rapidly declining; the great towns still continue to grow. With differences of detail, Italy and Austria have the same tale to tell. Even in the United States, with good land still to be had almost for the asking, and agricultural immigrants pressing in from every country in the world, the rural population is relatively declining. In some States the decline is absolute as well as relative. "Much of the soil of New England"—says a recent writer—"has passed out of cultivation, the former cultivators having either gone into the great cities or migrated to the fertile soils of the western prairies."

But the most striking illustration of all is presented by Denmark. Agriculture is the very life of Denmark. It is an industry to which

the people devote their best brains, and for which they prepare themselves thoroughly by a wide general education, as well as by technical instruction. The results are magnificent. With a poor soil and an unkind climate, they have built up a great agricultural industry that is still expanding. I will not trouble to relate how many millions of eggs and how many tons of butter and bacon Denmark now exports. The important point is, that in spite of this splendid agricultural development, the Danish population engaged in agriculture, actually declined between 1880 and 1890 by as much as $4\frac{1}{2}$ per cent., and it is believed that at least an equal decline will be shown at the next census.

In view of these facts it is childish to imagine that we can stem this great world-movement by some trumpery contrivance of protective duties. The overgrowth of great towns is a calamity that lies beyond the reach of Corn Laws.

Mr. Williams, however, is anxious for our food supply in time of war. He thinks that our enemies might make a corner in wheat. Has he forgotten that in the great war with France, at the beginning of the nineteenth century, it was largely with French wheat that the deficiencies in our home supply were made good. As long as our navy keeps the command of the sea, there will be no serious difficulty in buying, even from our enemies, anything we want. If we lose the command of the sea, it would not be only our food that would be cut off but the raw materials of our industries. It would profit us little to sit munching dry bread while all our factories were at a standstill.

As a matter of fact, however, it is physically impossible to raise from the soil of England sufficient food for all the present population. Many agriculturists contend that we could not even raise enough wheat alone, apart from other necessary foods. At the beginning of the last century, with a much smaller population, we were partially dependent upon foreign supplies, although land quite unfitted for wheat had been brought under the plough, and is only now slowly finding its way back to permanent pasture. This, at any rate, is certain, that if we attempted to grow food enough to feed our

40,000,000 people, every public and private park, every scrap of pleasure ground, would have to be ruthlessly ploughed up, and even the barren moors would be brought under tillage. The whole of England would be one great ploughed field, and the wretched inhabitants, after long days of weary and profitless toil would be packed to rest at night in giant barracks, lest one square yard of the precious ground should be wasted. Is this Mr. Williams's ideal? I prefer even London.

This delusion, at any rate, is disposed of. Whatever else Protection may do, it will not refill our empty villages, nor will it make us independent of foreign countries for our food supply. Perhaps Mr. Williams will now tell me what other industries he wishes specially to encourage. If he does not care to do so, I am quite willing to go on to the rest of his seven points.

HAROLD COX. ✓

VII.

FOR PROTECTION.

By ERNEST E. WILLIAMS.

LET us begin by recapitulating the progress up to date. Of my seven propositions in favour of Protection, Mr. Cox has now finished his reply to one—the fifth. Let us tabulate it as follows:—

THE PROPOSITION.

5. I advocate Protection because economic self-containment, particularly in the matter of food supply, is a necessity to the well-being of any country, and can in this country only be secured by a return to Protection.

MR. COX'S SHORT ANSWER.*

If a nation attempts to be self-sufficing it must forego many of the comforts and most of the luxuries of life. . . . It is more profitable to the nation to concentrate its energies on the work that it does best. If Lancashire and Yorkshire were each to aim at economic self-containment they would both lose many of the advantages of their common nationhood. . . . If England and France set before themselves the same false ideal they, in turn, would lose many of the advantages which their common humanity gives to both.

"Back to the Land" cannot be realised in this country by a return to Protection, because in other countries where they have Protection the urban population is increasing relatively to the rural population.

MY REJOINDER.

Mr. Cox reads into the phrase "economic self-containment" an extreme of literalness which it was not my intention to convey, and is not imported into the term in its current use. England should be able to feed herself, because in the case of a great war her ports would be blockaded, or the energies of the fleet, needed elsewhere, would have to be dissipated in the effort to convoy grain; because by some huge financial operations the enemy might corner the outside world's wheat supply; because the general well-being and vigour of the nation demand a healthy rural industry.

In modern days the territorial division of labour is largely mythical.

The fact that certain Protectionist countries are growing industrially at a rate which exceeds any increase there may be in their rural growth does not prove that the fostering of agriculture in England would not help to stay the depletion of our countryside.

* The reader should bear in mind that Mr. Williams, and not Mr. Cox, is responsible for this condensation of Mr. Cox's arguments.—L. G. C.

The second paragraph of Mr. Cox's short answer represents the gist of his last article; the final paragraph of my rejoinder is my reply to it. As Mr. Cox has not yet started upon any of the other propositions, I have no other occupation for the present article than to glance at statements in Mr. Cox's last article which provoke criticism.

But these are rather numerous. I must first protest against Mr. Cox saying that I have said the thing which I have not said. In my last article I wrote: "He (Mr. Cox) strains my meaning of the expression 'economic self-containment,' and reads into it an extreme of literalness which it was not my intention to convey, which I feel sure was not conveyed into the minds of intelligent and impartial readers, and which is not imported into the term in its current use." Then I proceeded to illustrate the current, common-sense use of the term by references to countries which provide themselves with such of the necessities and such (to a considerable extent) of the comforts and luxuries of life as can conveniently be produced in those countries. Hereupon Mr. Cox writes: "I have shown that economic self-containment, so far from being essential to the well-being of a country, is impossible if a high standard of well-being is to be maintained. Mr. Williams now admits it. [I admitted nothing of the sort.] He admits that when he said 'self-containment' he did not mean it literally." And again, "his phrase 'economic self-containment.' This is not to be taken literally, we are told."

Now I put it to the arbitration of the impartial reader, Is this fair? Is it fair to say that I admit that my contention was wrong, just because I have demurred to the reading into it of an extreme of literalness which the words were never meant to bear, and cannot have borne in any ordinary reader's mind, and do not bear in current use?

The above is not the only instance of the sort which Mr. Cox's last article furnishes. In a previous article Mr. Cox asked me if agriculture and sugar-refining, two industries which I had mentioned as illustrations for a certain argument, were the only industries

which I desired specially to encourage. I, of course, replied by pointing out the very obvious circumstance, that if these industries were meant to be exclusive they would cease to be what I used them as—illustrations. Mr. Cox returns to the matter thus: "His only reply is to lay further stress upon the importance of agriculture." I was dealing with another subject altogether when I referred, by chance in the same article, to agriculture, and was most evidently not replying to Mr. Cox's question, which I had not then reached. I expected that Mr. Cox would have frankly acknowledged the commission of an excusable blunder, and explained himself, or else have accepted my gentle rebuke in silence. As there was no principle involved, it would not have injured his case in the least to have adopted one of these two courses; the rejoinder he has made must, I should think, have injured his case considerably in the minds of his readers.

Now to a more pleasant side of the controversy. Mr. Cox thinks that we are approaching an agreement upon the main issue—which is the desirable, though usually obscured, end of all controversy. "He [that is, myself] believes with me that the interchange of commodities between nation and nation is necessary and beneficial. . . . We are now in complete agreement as to the value of international trade; the only point at issue is how to conduct it." So Mr. Cox has abandoned the notion with which he started, that Protectionists wish to destroy all international trade, and sees that we do not wish anything so dreadful. According to their climate and industrial development some countries want more, some less, of the products of other countries which they cannot themselves well produce; but (though not absolutely necessary) all countries with the modern standard of complex material wants desire some things which can only be got from abroad. Though a Protectionist, I am as keen upon my oranges as Mr. Cox the Free Trader can be, if he is fond of the same fruit. Nevertheless, I am afraid that Mr. Cox has put our common denominator of agreement at rather too high a figure. For he is prepared to welcome unlimited quantities, not only of oranges and

diamonds from other countries, but of breadstuffs and locomotives and boots and shoes as well. And I am not. Unless we are a producing nation, we shall never be a great, or strong, or healthy, or wealthy nation; and we can only be a producing nation upon a big scale by guarding, in these days of severe foreign competition, by every means in our power, those industries in which our productive energy can find an outlet, and which (in some instances) are necessary to our national welfare in other than trading ways. If we do not guard our national production it will fall beneath the determined onslaughts of foreign competitors, who will, like West End tailors dealing with idle prodigals, supply us with all the commodities we like to purchase, until they have extracted from us all our fathers' savings, and reduced us into hopeless debt. Then we shall be weak, and politically, as well as economically, at their mercy; we shall cease to be a great nation, and shall sink into poverty and insignificance. Before our agreement as to the principle underlying Protection can be complete Mr. Cox must admit all this.

A word as to Mr. Cox's objection that France and the United States are not economically self-contained countries. From what I have said above it should be clear to him that they are economically self-contained, in the ordinary meaning of the term. And this notwithstanding the figures he arrays against me. He gives a list of the principal imports into France in the year 1898, and most unjustifiably includes 18 millions worth of wheat and flour, though he knows 1898 was not a normal year for French agriculture. This will be seen by comparing it with '97 and '96. In '96 the imports of wheat amounted to 1,585,000 quintals, in '97 to 5,227,000 quintals, in '98 to 19,545,000 quintals. Yet Mr. Cox puts forward '98 as a representative year!* As to the other items in the list, they consist for the greater part in articles which cannot be produced in France, or produced so well or of the same quality. Yet they

* By reference to page 55 it will be seen that Mr. Cox did *not* mislead the reader as Mr. Williams suggests. Mr. Cox clearly pointed out that French imports of wheat "leapt up" in 1898. As in Article IX. Mr. Williams does not avail himself of the opportunity of amending his unfortunate suggestion, I feel compelled to add this note.—L. G. C.

are not absolutely necessary to France's existence, and, though desirable imports, could be dispensed with for awhile, if the country were blockaded, without reducing it to starvation. Then with regard to the United States. We are told that their average import during the last five years (why not a quinquennial average import of wheat into France?) of agricultural products was worth 73 millions. This is about a pound per head of the American population, and, thanks to the results of a protected industry in the United States, people there are able to spend a pound a year in foreign foods and delicacies of kinds they do not produce at home, and it is mainly in articles of this kind that the above table consists.

The only reply which Mr. Cox can find to my statement that in time of war the enemy might corner the world's wheat supply is that at the beginning of the last century, when we were at war with France, we imported a certain amount of wheat (it was trifling in amount) from France. It is a curious reply. Does Mr. Cox think that the art of big financial operations was in the same stage of development a hundred years ago as it is to-day? Upon the same subject he says: "It would profit us little to sit munching dry bread while all our factories were at a standstill." It would profit us less to have no dry bread to munch. In the event fore-shadowed our factories would be at a standstill any way.

I don't think that Mr. Cox's picture of an England made horrible by the cultivation of its waste lands calls for any rejoinder, though I may point out the curious inconsistency of Mr. Cox's expression of ardent sympathy with the "Back to the Land" cry with his statement, a few paragraphs afterwards, of horror at the prospect of a well-cultivated countryside. We may as well discuss a serious subject seriously.

ERNEST E. WILLIAMS.

VIII.

FOR FREE TRADE.

By HAROLD COX.

MR. WILLIAMS is vexed with me for trying to obtain a precise meaning for his phrase "economic self-containment." Yet, surely, if this thing, whatever it be, is a "necessity to the well-being of any country," it is important to know precisely what it is. All that Mr. Williams now tells us is that he meant the phrase to refer to "countries which provide themselves with such of the necessities and such (to a considerable extent) of the comforts and luxuries of life as can conveniently be produced in those countries." But that exactly describes the condition of Free-Trade England at the present moment. We do provide ourselves with such of the necessities and (to a very large extent) with such of the comforts and luxuries of life as can conveniently be produced in England. If this is all that Mr. Williams meant, will he kindly explain what bearing the phrase has on the controversy between Free Trade and Protection?

Mr. Williams also complains of some figures I quoted with regard to French trade, and suggests that I misled my readers by taking a year when the French importation of wheat was exceptionally high. That is a serious charge, for there is no worse form of dishonesty in economic argument than to quote, as representative, figures which are in reality exceptional. Mr. Williams is unjust to me. If he had taken the trouble to read a little more carefully, he would have seen that so far from disguising the fact that the French import of wheat in 1898 was exceptionally large,

I based part of my argument upon that very fact. He further asks why I gave an average of five years' figures in the case of America. The answer is very simple; it was because I found the figures so given in an official publication of the American Government dealing with the question of the importation of agricultural produce into the United States.

With regard to Mr. Williams's repetition of his statement that in time of war an enemy might deprive us of food, I can only repeat that whether that be a possibility or not, it is certainly an impossibility for us to grow in these islands all the food required by forty million people. Even if we ploughed up every yard of park and pleasure ground, even if we pulled down all our factories to make room for fields, we still could not get enough food to give us all one good meal a day. The only way to make this country independent of foreign food is to cut down the population at least by half, and to abandon our position as a manufacturing nation.

I pass to what appears to be the main argument in Mr. Williams's last article. He says: "If we do not guard our national production it will fall beneath the determined onslaughts of foreign competitors, who will, like West End tailors dealing with idle prodigals, supply us with all the commodities we like to purchase, until they have extracted from us all our fathers' savings and reduced us into hopeless debt." Where is the evidence that we are paying for our foreign purchases out of our fathers' savings? If the nation as a whole is living upon capital, the individuals who compose the nation must, on an average, also be doing the same thing. That is obviously and palpably not the case. The loanable capital of the country is growing every year at a rate which even constitutes a social danger. We are accumulating capital faster than we can find profitable means of utilising it. The South African War has caused a temporary check, but as soon as the war is over,* we shall see a fresh outburst of wild-cat schemes and dishonest companies. Protection will not stop this evil, for it is

* This article was written in 1901.—L. G. C.

as rampant in Germany and the United States as here. In another passage Mr. Williams rightly says that to be a healthy nation we must be a producing nation. I fully agree, and I think it is a misfortune that an increasing section of the nation should be able to live without working, upon dividends derived from the investment of capital. The only way I can perceive of checking that evil is to tax either the capital or the dividends. What Mr. Williams proposes is, to tax the food and clothing of the people who do the work of the country.

Perhaps, however, I am not justified in assuming that he proposes to tax our clothing as well as our food. He has only mentioned food so far, although I have twice invited him to mention what other industries, besides agriculture and sugar-refining, he wishes to specially encourage, at the expense, of course, of all other industries. Failing to receive that information I will proceed to deal with the remainder of his seven propositions.

The proposition which is numbered (1.) is as follows:—

“I advocate Protection because there is no such thing as Free Trade, and other countries refuse to admit our merchandise free into their ports.”

If this proposition stood alone it would clearly mean that if there were such a thing as Free Trade, Mr. Williams would be a Free Trader, and that if other countries admitted our merchandise free he would be willing to admit theirs free. Mr. Williams will now see why I did not take his seven propositions in their numerical order. It is only possible to deal with this proposition on the assumption that the author of it is honestly convinced of the advantages of Free Trade, if other countries adopt it. But that is not Mr. Williams's view. He is a Protectionist. Had I therefore begun with his first proposition, I should have placed him in the unpleasant predicament of having to argue the whole case for Protection with arguments that only a Free Trader would be entitled to use.

Consequently, in dealing with this proposition, it will be better to place Mr. Williams aside for a moment, and assume that the

proposition comes—as logically it only can come—from a man who sincerely believes in the benefits of Free Trade. Such a man may quite honestly argue that there ought to be freedom on both sides. The French tariff is undoubtedly an injury to our exporters, by diminishing the ability of the French consumer to buy British goods. That tariff also injures our importers, because Frenchmen, by taxing the food of their people and the materials of their industries, add to the cost of their productions, including those which we buy. Thus, both as sellers and as buyers, we are injured by the French tariff. But is this a reason why we should inflict a further injury upon ourselves? At present, in spite of the French tariff, we are able to do a good deal of trade with France. We buy such French products as suit our fancy or our purses. We buy them to please ourselves, not to please the French producer. It is, therefore, an obvious injury to ourselves if our Government places a barrier in the way of these purchases. But that is not all. If we buy French goods we must pay for them. The French are a gallant and a generous people, but they will not give us butter and wine and silk for nothing. In exchange we must give our goods, for we have nothing else to give. Possibly, France may have no need herself for much of what we produce. We may have to send our goods to China, who, in turn, will send her goods to France. But, however circuitous the trade route may be, the goods we import from France must be paid for by goods that we export to her, or to her order.

Of course, I am aware that our imports are largely in excess of our exports. Part of the excess represents interest upon our loans to foreign countries, part represents the profits made in industries worked abroad with British capital and often with British management, part, the profit upon our foreign commerce, and part the payment for the services we render to the world as sea-carriers, marine insurance agents and general bankers. But even Mr. Williams would not urge that persons in England holding foreign bonds and mortgages ought to forego the interest upon them, or that British merchants and ship-owners and bankers should work for nothing. Unless he takes that view, he must be content to

see our imports exceed our exports. But after that excess has been allowed for, it is inevitable that the more we import the more we must export to pay for our additional purchases. Therefore, by checking imports from France, we are checking our own exports. Thus, beyond the double injury France does to us, we should do a double injury to ourselves. Is that common sense?

Let me take a parallel. The object of the French Protectionist tariff is to restrict the importation of goods that the French Government, for some reason or other, wishes to exclude. The same object would be more completely effected if the French Government were to fill up French harbours. Supposing the French were to carry their logic to this extreme, and were to fill up the harbour of Calais, would any sane Englishman propose that we should also fill up Dover?

That consideration appears to me to sufficiently dispose of the contention that we ought to injure ourselves by a tariff on French goods because France is foolish enough to injure herself, as well as us, by a tariff on British goods. Let me add, however, that this reciprocity question is not, as so many people appear to imagine, a new discovery. It is often asserted by Protectionists that Free Trade was adopted in England upon the assumption that all other countries would adopt it. That is not true. I will quote only two authorities.

In 1820, the merchants of the City of London, in their famous petition to the House of Commons for Freedom of Trade, said :—

“Although as a matter of mere diplomacy it may sometimes answer to hold the removal of particular prohibitions or high duties as depending upon corresponding concessions by other States in our favour, it does not follow that we should maintain our restrictions in cases where the desired concessions on their part cannot be obtained. Our restrictions would not be the less prejudicial to our own capital or industry because other governments persisted in preserving impolitic regulations.”

In 1846, Sir Robert Peel, in proposing the abolition of a whole host of British duties and the reduction of others, including the duties on corn, said :—

"I fairly avow to you that in making this great reduction upon the import of articles the produce and manufacture of foreign countries, I have no guarantee to give you that other countries will immediately follow our example. . . . We cannot promise that France will immediately make a corresponding reduction in her tariff. We cannot promise that Russia will prove her gratitude to us for our reduction on her tallow by any diminution of her duties. . . . Since the former relaxation of duties on our part, foreign countries which have benefited by our relaxations have not followed our example, but have actually applied to the importation of British goods higher rates of duties than formerly. I quite admit it. I give you all the benefit of that argument."

In the face of such explicit declarations as these, it is impossible for any honest Protectionist—and I am sure Mr. Williams is one—to maintain the fiction that England rushed blindly into Free Trade, expecting all other countries to follow. Then, as now, Free Traders realised in Sir Robert Peel's expressive phrase, that the "best way to compete with hostile tariffs is by free imports."

The remaining propositions put forward by Mr. Williams I must postpone to another article. In the meantime I venture to repeat my invitation to him to state explicitly which of our industries, besides agriculture and sugar-refining, he thinks ought to be specially favoured by the Government. It would facilitate discussion if he would give his reasons in each case.

HAROLD COX.

IX. FOR PROTECTION.

BY ERNEST E. WILLIAMS.

THE discussion now stands as follows:—

THE PROPOSITION.

1. I advocate Protection because there is no such thing as Free Trade, and other countries refuse to admit our merchandise free into their ports.

5. I advocate Protection because economic self-containment, particularly in the matter of food supply, is a necessity to the well-being of any country, and can in this country only be secured by a return to Protection.

MR. COX'S SHORT ANSWER.*

"Because France is foolish enough to injure herself, as well as us by a tariff on British goods" is no reason why "we ought to injure ourselves by a tariff on French goods."

If a nation attempts to be self-sufficing it must forego many of the comforts and most of the luxuries of life. . . . It is more profitable to the nation to concentrate its energies on the work that it does best. If Lancashire and Yorkshire were each to aim at economic self-containment they

MY REJOINDER.

We should not injure ourselves by a tariff upon French goods. In so far as the French goods still came into our ports, we should draw a revenue from the duties, the greater part of which the French exporters would pay. In so far as our tariff excluded French goods, similar goods would be produced in England, to the advantage of our dairy industries, silk and woollen mills, etc. The only possible—and that an inadequate—justification for Free Trade is its mutuality between nations; it is not even Free Trade at all otherwise; and our efforts to obtain this mutuality have failed.

Mr. Cox reads into the phrase economic self-containment an extreme of literalness which it was not my intention to convey, and is not imported into the term in its current use. England should be able to feed herself, because in the case of a great war her ports would be blockaded, or the energies of the fleet,

* Again I point out that Mr. Williams, and not Mr. Cox, is responsible for these condensations of Mr. Cox's arguments.—L. G. C.

would both lose many of the advantages of their economic nationhood. . . . If England and France set before themselves the same false ideal they, in turn, would lose many of the advantages which their common humanity gives to both.

"Back to the Land" cannot be realised in this country by a return to Protection, because, in other countries where they have Protection, the urban population is increasing relatively to the rural population.

needed elsewhere would have to be dissipated in the effort to convey grain ; because by some huge financial operations the enemy might corner the outside world's wheat supply ; because the general well-being and vigour of the nation demand a healthy rural industry.

In modern days the territorial division of labour is largely mythical.

The fact that certain Protectionist countries are growing industrially at a rate which exceeds any increase there may be in their rural growth does not prove that the fostering of agriculture in England would not help to stay the depletion of our countryside.

Mr. Cox is more than kind. He would not take my seven propositions in their numerical order because "had he begun with my first proposition he would have placed me in the unpleasant predicament of having to argue the whole case for Protection with arguments that only a Free Trader would be entitled to use." I have engaged in a number of controversies, but never before has my antagonist, with deliberate generosity, confused the presentation of his own case in order to avoid putting me in a predicament. But I fear I am something of an ingrate ; for, in reply to Mr. Cox's consideration for me, I can only say that he is mistaken, and that his tackling at an earlier stage of this discussion my opening proposition would not have placed me in any sort of predicament at all.

Why should it ? Mr. Cox says, because I should have had to argue the whole case for Protection with arguments which only a Free Trader would be entitled to use. If Mr. Cox will forgive me, I will contend for Free Trade in arguments if in nothing else. I demur vigorously to the thesis that the Free Trader has any monopoly in argument, and I beg the liberty of using such arguments as appeal to me.

Now what arguments do I use in relation to this first proposition ? I contend that whether Free Trade be abstractly a good

thing or a bad thing, it has no existence at the present day. Trade implies a contract between two parties. A contract, to be free, must be equally free to both parties. That freedom we have not to-day. England, unasked, performs her share of the contract; other nations, never having professed to enter into the contract at all, naturally ignore their part. Therefore there is no Free Trade, but only a system of free imports into one country—England. I cannot see that it is necessary for one to be a Free Trader before seeking permission to use this argument.

This fundamental fact of the non-existence of Free Trade having been established, one is in a clearer position to argue whether—

- 1 (1) It would be a good thing to have Free Trade if we could get it;
- (2) Whether, failing our ability to get it, it is worth our while to go on with the one-sided policy of free imports into this country.

I should say "No" to both questions. There are many, however, who, though answering "No" to the second question, would answer "Yes" to the first. It was for the sake of enlisting their support that I opened my case with a statement of the obvious fact that at the present time the freedom of trade was all on the foreigner's side, so reminding them that they ought to work for the repeal of the present fiscal system, quite apart from the abstract and remote question of the general desirability of general Free Trade.

Mr. Cox boldly says "Yes" to each question, and he boldly tries to round off his case for one-sided free imports by asserting that it is not true that Free Trade was adopted in England upon the assumption that all other countries would adopt it. Mr. Cox supports this assertion by a quotation from the petition of certain London manufacturers and merchants to the House of Commons in 1820, in which the petitioners contemplated the advisability of removing import duties, even though the removal did not succeed in inducing other countries to follow suit. Mr. Cox omitted to quote another portion of the same document, which recites "that nothing would tend more to counteract the commercial hostility of foreign States than the adoption of a more enlightened and more conciliatory policy on the part of this country."

That was what the early Free Traders were after. They were merchants and manufacturers with a command of the world's markets; whose own industrial prosperity had been built up under Protection; they feared lest other nations should increase their Protection, and so gradually build up native industries which would crowd English goods out; they wanted to get yet bigger markets for their own goods, and that they thought to obtain by destroying Protection altogether in foreign countries; they thought that by offering to foreigners freedom of importation into England they would induce them to remove their tariff barriers. Then they added as a rider: Even supposing the plan does not succeed, no harm, but rather good, would be done.

No harm to what? No harm, they meant, to their own manufacturing industries, whose ability to beat down competitors was at that time unchallenged. Good to what? To the manufacturers again. For the only home industry which would be affected by free imports would be agriculture. Foreign competition they thought would mean cheaper food, and cheaper food would enable them to grind down their workpeople with lower wages. They didn't put it quite so bluntly to the people; they stopped at cheap food. As for agriculture, they didn't care; they hated, in fact, the agricultural industry and all it represented. But to say that the majority of the early Free Traders were not converted by the hopes held out of inducing other countries to adopt Free Trade, if England started it, is to say what is not the fact. It was that promise which influenced the majority of the thinking part of the Free Traders. At the finish, 'tis true, votes for Corn Law Repeal were got out of an adventitious factor: there had been a succession of bad harvests, and, as Mr. Morley says, the rain of the '45 autumn "was the rain that rained away the Corn Laws." But this is only an instance of hard cases making bad law.

But Mr. Cox contends that even if other countries do not give us Free Trade it is our duty to give them Free Trade. If we did not, he says, we should inflict a further injury upon ourselves. We buy French products to please ourselves, not the French producer.

"It is, therefore, an obvious injury to ourselves if our Government places a barrier in the way of these purchases."

Here we stumble once again on the curious individualist outlook of the Free Trader—the short-sighted outlook. The Free Trader cannot see that in this matter of Protection and national trade, the first interests of the individual, which the individual, as individual, will always pay heed to himself, must, by the State, be sometimes subordinated to the interests of the whole community; and that this subordination is, in the long-run, to the advantage of the individual, or at least by far the larger number of the individuals composing the State. The function of the State is to pay first regard to production. As Mr. Carnegie says, speaking from his own monumental experience, "a profitable home market is the strongest weapon we can use to conquer markets abroad." The State, therefore, must take steps to see that the home market is profitable by sheltering it from foreign competition. It should do this in any case, whatever be the policy pursued by other nations; but it is doubly its duty to do it when other nations impose tariff barriers against our produce entering their countries. The primal instinct of self-preservation demands that much.

Mr. Cox, in his last article, says, "I venture to repeat my invitation to him [myself] to state explicitly which of our industries, besides agriculture and sugar-refining, he thinks ought to be specially favoured by the Government." Mr. Cox has not asked me to state this before. He only inquired if the two industries I once mentioned as illustrations were meant to be exclusive, and I replied that obviously they were not, or they would not be illustrations. I object to Mr. Cox's insinuation that I have been attempting to run away from a question. The insinuation is absurd. In reply to the question which he now puts, I beg to say that I would protect all national industries, except the mineral industries, where it is in some cases the vanishing supply of the mineral, rather than the production of it, which needs Protection.

ERNEST E. WILLIAMS.

X.

FOR FREE TRADE.

BY HAROLD COX.

I AM afraid I must continue to disagree with Mr. Williams with regard to his first proposition. When a man says, "I advocate Protection because there is no such thing as Free Trade," he appears to me to imply that he would advocate Free Trade if the thing existed. Except in this sense I can see no point in his argument. However, that is a matter for Mr. Williams himself. I fully admit the right he claims to use such arguments as appeal to him, and I am willing to meet them from whatever armoury they are borrowed.

With regard to the historical question raised by my reference to the Merchants' Petition, Mr. Williams's additional quotation is superfluous. The point is not whether the early English Free Traders hoped that other countries would sooner or later follow our example—of course they did—but whether they deliberately determined to support Free Trade even if other countries continued Protectionist. My quotations from the Merchants' Petition and from Sir Robert Peel amply proved this point.

As to the question of nomenclature, which so much disturbs Mr. Williams, it is a matter of little importance. If he prefers to speak of the policy of Free Imports, rather than the policy of Free Trade, by all means let him continue to do so. But when he proceeds to produce arguments in support of his preference he falls into a serious logical error. He says: "Trade implies a contract between two parties. A contract to be free must be equally free to both parties.

That freedom we have not to-day. England unasked performs her share of the contract; other nations, never having professed to enter into the contract at all, naturally ignore their part." Mr. Williams here confuses the action of individual traders with the collective action of the nations to which they belong. There is no contract of trade between England and France. The only contracts are between individual Englishmen and individual Frenchmen, and each particular contract is, and must be, a matter of free bargain between the parties concerned. The difference in the position lies in this, that the English Government leaves Englishmen free to trade with whom they choose; whereas a Frenchman who ventures to buy from a foreigner is fined for doing so.

The use of the phrase "Free Trade" to describe the English system is well understood, and has this advantage over Mr. Williams's phrase, that it covers exports as well as imports. Possibly Mr. Williams has forgotten that for some centuries Protectionists in this country were more concerned to prohibit exports than to check imports. At different times the exportation of gold, iron, wool, sheep, horses, butter, bows, shoes, wood, sheepskins, and many other articles, has been prohibited by the English Legislature. These early Protectionists acted on the theory that it was better to keep our good things to ourselves. Mr. Williams's theory is that we ought to refuse the good things that other countries are willing to send us. The Free Trader—differing from both—holds that individuals should be left free to exchange, as they find convenient, their goods for the goods of other countries.

To this Mr. Williams replies: "The Free Trader cannot see that in this matter of Protection and national trade the first interests of the individual, which the individual, as individual, will always pay heed to himself, must by the State be sometimes subordinated to the interests of the whole community." As an abstract proposition this is indisputable. But I have tried in vain to get Mr. Williams to tell me what are the practical cases of subordination. In my last article I asked him to "state explicitly which of our industries besides agriculture and sugar-refining he thinks ought to be specially

favoured by the Government." His answer is: "I beg to say that I would protect all national industries, except the mineral industries."

That is obviously not a reply to my question. Mr. Williams has continually laid stress on the conflict between the interests of the individual and the interests of the State, and insisted that it may be profitable to the nation to retain an industry that under Free Trade would be unprofitable to the individual. He has stated that agriculture and sugar-refining are only illustrations of the industries which he desires "specially to encourage." But when I ask what other industries are to be "specially favoured," I am told that all industries, except mining, are to be protected. If this is Mr. Williams's only answer, he need not have expressed so much indignation at my hint that he was trying to evade the question.

His answer is not merely an evasion, it is also meaningless. It is impossible to protect all our industries. At a moment's notice one can rattle off a dozen industries that are absolutely unassailable by foreign competition, and cannot, therefore, be benefited by a Protectionist tariff—the industries of bricklayers and house-painters, of lawyers and parsons, doctors and undertakers, journalists and compositors, engine-drivers and railway porters, sailors and dock labourers, boot-blacks and chimney-sweeps, cabdrivers and tramway men, publicans and hotel-keepers, housemaids, nursemaids, cooks and waitresses, bank clerks and shop assistants, type-writers, school-teachers and governesses, playwrights, actors, and scene-shifters, and so on. The millions of people represented by these few names have nothing whatever to hope from Protection. It is their interest to obtain the widest choice of commodities that the world can offer, at the lowest possible price.

Mr. Williams may conceivably reply that he does not call these "national industries." Their name is not a matter of great moment. The important point is, that they absorb probably more than half our working population, and that the nation could not get on without them. To me the laying of bricks appears as much a national industry as the riveting of steel plates, and I hold that the domestic servant who makes a pie for her employer's dinner is doing as good

service to the nation as the factory lass who helps to make a piece of calico. More generally, I hold that the conveyance of commodities from places where they are not wanted to places where they are wanted, contributes to the national wealth every bit as much as the conversion of raw materials into finished products, and that the provision of food for the mind is not less important than the manufacture of clothing for the body.

Moreover, in addition to these great industries, which geography protects from foreign competition, we have in England a number of industries which, though theoretically subject to a foreign competition, are practically indifferent to it. The cotton industry is the most striking case. The value of our exports of cotton yarn was last year* £7,741,000, our imports only amounted to £287,000. What would it profit our export trade to check this trumpery import? In the same way the export of cotton piece goods was £52,385,000, with an import of £932,000. It is obvious, therefore, that our great cotton industry, which gives direct or indirect employment to an enormous population, has absolutely nothing to gain from Protection. Take the linen industry as a somewhat different illustration. Our imports of linen "manufactures" last year* were only £590,000, against an export of £5,225,000. On the other hand, our importation of linen yarn was £915,000, against an export of only £934,000, and in the previous year the import was still higher and was slightly in excess of the export. But that only proves that our linen spinners find it more profitable to produce for a foreign market than to supply the full demands of the home market, and that our linen weavers find certain foreign yarns more suitable for their work than any yarns produced in the United Kingdom. Does Mr. Williams seriously propose that the State should arbitrarily interfere with this arrangement, and by means of an import duty on linen yarn try and force the trade into new channels? A duty on linen "manufactures" would be an obvious absurdity, for if we export ten times as much as we import the trade clearly has nothing to gain by Protection.

* This article was written in 1901.—L. G. C.

Take, as a third illustration, the iron and steel industries. Last year, according to the classification adopted by the Board of Trade, we imported "manufactures of iron and steel" to the value of £8,300,000. Applying the same classification to our exports, we find that the total was £23,200,000. How is it possible to protect this great export trade by imposing duties on imports?

Mr. Williams will possibly reply by a further reference to Mr. Carnegie's "monumental experience," and to his remark that "a profitable home market is the strongest weapon we can use to conquer markets abroad." If that means anything, it means that we are to shelter our iron and steel manufacturers behind a tariff wall, so that they may be able to make an exorbitant profit out of the home consumer, in order to sell at a nominal profit to foreigners. Is that the system of national industry that Mr. Williams recommends? Are we in England to pay fancy prices for British goods, in order that Chinamen and Central Africans may get the same goods at less than cost? Even American Protectionists appear to be wearying of such folly as this.

To briefly recapitulate: It is impossible to protect all national industries in this or in any country. Protection must therefore mean favouritism to some industries at the expense of others. Such favouritism can only be defended on the ground, frequently put forward by Mr. Williams, that some industries are of supreme national importance, and ought therefore to be specially encouraged. Unfortunately, he fails to tell us what those industries are.

I therefore now pass to his remaining propositions.

No. 2.

"Because under the ægis of Protection, other countries have developed industries which would not have been developed to such an extent had they granted free admission to foreign, and particularly English, manufactures."

Of course it is possible to develop a particular industry by means of Protection. The point is, that the protection given to one industry has to be paid for by other industries. That involves an injustice to the individual who has to pay a tax upon his industry

in order to make somebody else's industry profitable. It also involves a loss to the nation, for the effect of such favouritism is to divert capital and labour from the industries that can stand alone, to those that need a State prop.

No. 3.

"Because by so doing, these other countries have become wealthy and self-supporting communities."

To say that some countries have become wealthy because of Protection is a mere assertion. I am equally entitled to assert that they have become wealthy in spite of Protection. To say that these countries have become self-supporting is to ignore palpable facts. Mr. Williams, presumably, does not mean that these countries lived on charity before they adopted Protection. He probably means that they have become independent of foreign trade. This is palpably inaccurate. No civilised country is self-sufficing, and even the most Protectionist countries are constantly seeking to enlarge their exports. They must, as a necessary consequence, enlarge their imports.

No. 4.

"Because England's supremacy is being gravely challenged, and has already begun to decline under her Free Trade system, and under the attacks of Protectionist countries."

Of course, England's commercial supremacy is being challenged. But that is no new fact. It was challenged just as much in the Protectionist period. Indeed, Free Trade was advocated by British manufacturers, on the express ground that our Protectionist system was assisting our rivals to establish competing industries. Here is a sample of the arguments used by Mr. Villiers, who for many years was the Parliamentary leader of the Free Trade party. Speaking in 1838, he said that "the trade of Nottinghamshire had been, to a great extent, ruined by foreign competition within the last ten years. There was 20 per cent. difference in the cost of producing hosiery in Nottinghamshire and the price at which they were able to import hosiery from Saxony. Consequently, it was found more advantageous to import foreign hosiery. . . . Several witnesses from Sheffield had proved that manufacturers, to a great extent, had left

that town and established themselves successfully in the Rhenish provinces of Prussia."

The truth is, that whatever economic system we adopt, our commercial supremacy will be challenged by eager rivals. To prove his case Mr. Williams must show that our position is worse under Free Trade than it was under Protection.

No. 5 has been dealt with in previous articles.

No. 6.

"Because the experience of foreign countries shows that manufacturing greatness and a big foreign trade are not incompatible with Protection even to agriculture."

This proposition is included in proposition No. 2. It needed no separate statement and needs no separate reply.

No. 7.

"Because the country's revenue can best be raised from import duties."

This statement may, or may not, be true, but it has nothing whatever to do with the case for Protection. For the object of the Protectionist is to keep out foreign goods, and the object of the Chancellor of the Exchequer is to raise a revenue by admitting them. So far as an import duty encourages particular home industries, to that extent it diminishes the revenue obtainable by the State from import duties. It is for this reason that in tariffs designed for raising revenue, import duties are placed as far as possible only on articles that are not produced in the country. Where it is necessary also to tax articles that can be produced at home, the import duty on the foreign-made article is countervailed by an excise duty on the home-made article. Under such a system the Chancellor of the Exchequer is sure of his revenue whatever happens, and the whole of the taxpayer's contribution goes into the public Treasury. On the system of a combined protective and revenue tariff, after which Mr. Williams seems to hanker, the Chancellor of the Exchequer runs the risk of getting no revenue at all, and a large part of the taxpayer's forced contribution goes into the pockets of private manufacturers.

If Mr. Williams cares for a statistical confirmation of this very obvious consideration, I may refer him to the figures of our Customs revenue before and after the establishment of Free Trade. Under the Protectionist tariff, which was in force just before Sir Robert Peel's first great reform in 1842, no less than 419 separate categories of imported articles were subject to taxation. In many cases each category comprised several separate heads, each with a separate duty. Thus, men's gloves were taxed at 5d. a pair, women's gloves at 7d. a pair, and habit gloves at 4d. a pair. Under the head of hides, 25 different classes were enumerated; under oils, 30 different classes; under seeds, 40; under stones, 23; under skins, 92. The duties levied varied in a manner that appears devoid of intelligible reason, from a few pence to as many pounds. Practically the whole of this monstrous system of official interference with the liberty of merchants and manufacturers was swept away by the great reforms of 1842, 1846, 1853, and 1860. After the Act of 1860 came into full operation, only 24 articles remained upon our tariff list. On Mr. Williams's theories our Customs revenue ought almost to have disappeared, our trade to have been ruined, and our population reduced to beggary. As a matter of fact, taking in each case an average of three years, I find that the protective tariff upon 419 articles yielded a revenue of £22,999,000. Twenty years later, a Free Trade tariff levied on 24 articles yielded £23,647,000.

I have now, as Mr. Williams wished, dealt with all his seven points.

HAROLD COX.

XI. FOR PROTECTION.

By ERNEST E. WILLIAMS.

MR. COX concludes his last article with the statement: "I have now, as Mr. Williams wished, dealt with all his seven points." I don't think I can admit that he has: certainly he has not done so adequately, as the following statement of my seven propositions, with Mr. Cox's short answers * and my rejoinders, will make plain.

THE PROPOSITION.

1. I advocate Protection because there is no such thing as Free Trade, and other countries refuse to admit our merchandise free into their ports.

MR. COX'S SHORT ANSWER.*

"Because France is foolish enough to injure herself, as well as us by a tariff on British goods" is no reason why "we ought to injure ourselves by a tariff on French goods."

MY REJOINDER.

We should not injure ourselves by a tariff upon French goods. In so far as the French goods still came into our ports, we should draw a revenue from the duties, the greater part of which the French exporters would pay. In so far as our tariff excluded French goods, similar goods would be produced in England, to the advantage of our dairy industries, silk and woollen mills, etc. The only possible—and that an inadequate—justification for Free Trade is its mutuality between nations; it is not even Free Trade at all otherwise; and our efforts to obtain this mutuality have failed.

2. Because, under the *regis* of Protection, other countries have developed industries which would not have been developed to such

Ofcourse it is possible to develop a particular industry by means of Protection. The point is that the protection given to some in-

If the protection is general the whole country benefits in the long-run. There is no diversion of capital or labour, but,

* Again I point out that Mr. Williams, and not Mr. Cox, is responsible for these condensations of Mr. Cox's arguments.—L. G. C.

an extent had they granted free admittance to foreign, and particularly English, manufactures.

3. Because, by so doing, these other countries have become wealthy and self-supporting communities.

4. Because England's supremacy is being gravely challenged, and has already begun to decline under her Free Trade system, and under the attacks of Protectionist countries,

5. I advocate Protection because economic self-containment, particularly in the matter of food supply, is a necessity to the well-being of any country, and can in this country only be secured by a return to Protection.

dustries has to be paid for by other industries. . . . It also involves a loss to the nation, for the effect of such favouritism is to divert capital and labour from the industries that can stand alone to those that need a State prop.

To say that some countries have become wealthy because of Protection is a mere assertion. . . . To say that these countries have become self-supporting is to ignore palpable facts.

Of course, England's commercial supremacy is being gravely challenged. But that is no new fact. It was challenged just as much in the Protectionist period. . . . Mr. Williams must show that our position is worse under Free Trade than it was under Protection.

If a nation attempts to be self-sufficing it must forego many of the comforts and most of the luxuries of life. . . . It is more profitable to the nation to concentrate its energies on the work that it does best. If Lancashire and Yorkshire were each to aim at economic self-containment they would both lose many of the advantages of their

owing to the establishment of industries which would not otherwise exist, an increase in the total capital and labour employed in the country. Mr. Cox does not deny the fact stated in my proposition, which is the main thing.

I am content to repeat the assertion.

Will Mr. Cox deny that the United States cannot support themselves? Or that they are not in point of fact becoming, under Protection, more and more self-supporting? Or that the proportion of their self-support does not vary with the protective character of their tariff? If he does, the import returns will convict him of inaccuracy.

In the old days our industrial position was supreme; it has only been seriously challenged in recent years—now that the respective results of Free imports in England and Protection abroad have had time to declare themselves. To say that our position was challenged just as much in the Protectionist period as it is to-day is a statement *pour rire*.

Mr. Cox offers no reply to the second part of my proposition—that England's supremacy has already begun to decline under her Free Trade system, and under the attacks of Protectionist countries. I therefore, upon this crucial test point, claim judgment by default.

Mr. Cox reads into the phrase economic self-containment an extreme of literalness which it was not my intention to convey, and is not imported into the term in its current use. England should be able to feed herself, because in the case of a great war her ports would be blockaded, or the energies of the fleet, needed elsewhere, would have to

common nationhood. . . . If England and France set before themselves the same false ideal, they, in turn, would lose many of the advantages which their common humanity gives to both.

"Back to the Land" cannot be realised in this country by a return to Protection because in other countries where they have Protection, the urban population is increasing relatively to the rural population.

6. Because the experience of foreign countries shows that manufacturing greatness and a big foreign trade are not incompatible with Protection, even to agriculture,

This proposition is included in proposition No. 2. It needed no separate statement, and needs no separate reply.

7. Because the country's revenue can best be raised from import duties,

This statement may, or may not, be true, but it has nothing whatever to do with the case for Protection. . . . So far as an import duty encourages particular home industries, to that extent it diminishes the revenue obtainable by the State from import duties. . . . On the system of a combined protective and revenue tariff, after which

be dissipated in the effort to convoy grain; because by some huge financial operations the enemy might corner the outside world's wheat supply; because the general well being and vigour of the nation demand a healthy rural industry.

In modern days the territorial division of labour is largely mythical.

The fact that certain Protectionist countries are growing industrially at a rate which exceeds any increase there may be in their rural growth does not prove that the fostering of agriculture in England would not help to stay the depletion of our countryside.

That the proposition did need separate statement is evident from Mr. Cox's answer to No. 2, where his point is that Protection can only give help to particular industries at the expense of the rest. My proposition, which Mr. Cox does not dispute, calls attention to the fact that the aid may be general, and embrace all departments of industry. What, however, was chiefly in my mind when I introduced it was the Free Trader's assertion (constantly repeated up to quite recently) that Protection and a big foreign trade are incompatible. Mr. Cox does not attempt to defend this assertion, upon which his school has largely, almost chiefly, relied.

I only "hanker" after the combined system in the sense that I "hanker" after the practical. Help can be given to a home industry by an import duty, even though the duty be not wholly prohibitive; and in that case the Chancellor of the Exchequer gets revenue, and the home industry encouragement. The Chancellor of the Ex-

Mr. Williams seems to hanker, the Chancellor of the Exchequer runs the risk of getting no revenue at all, and a large part of the taxpayer's forced contribution goes into the pockets of private manufacturers.	chequer does not run the risk suggested, because he revises his proposals each year, and has the means of calculating approximately the yield of a duty for a year ahead.
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I think if the reader will read carefully through the above, he will see that Mr. Cox, who has driven the discussion of five out of the seven propositions into one article at the finish, has not adequately discussed them; though his method may offer an explanation of his curious procedure in beginning with No. 5 proposition, and then going to No. 1. It will be noticed particularly that Mr. Cox says nothing at all in reply to the most important part of proposition No. 4, and declines to make any reply at all to the very important proposition No. 6.

I have put my rejoinders into very brief language, but in reading through them again they do not seem to me to demand expansion. I should, however, like to expand a little upon proposition No. 2.

In reply to my assertion that, under Protection, other nations have developed industries which would not have been developed to such an extent had they granted free admittance to foreign manufacturers, Mr. Cox replied that Protection given to particular industries (he assumes, inaccurately, that only a few feeble industries are to be protected) involves a loss to the nation, in that the effect of such favouritism is to divert capital and labour from industries that can stand alone. Here Mr. Cox has fallen into a curious but a fatal mistake. For this reply of his is based upon the assumption that the quantity of capital and labour in a given country is, like its territory, an absolutely fixed quantity.

Of course, as Mr. Cox will at once admit, when the point is brought before him, this is not the case. You might employ in a particular country a thousand labourers and a hundred thousand pounds' worth of capital; or, by fostering in that country the development of other industries, you might employ two thousand men and two hundred thousand pounds' worth of capital. Given time, the quantity of capital and labour employed in a country is

conditioned by the opportunities for employment which are offered to that capital and labour. Therefore there need be no question of diverted capital and labour, from an industry which does not need protection to an industry which does. You can still employ capital and labour in the one industry, and induce new capital and labour into the other. That is what has been done in the United States. Their population has grown, and the amount of capital employed in the Republic has grown in correspondence with the development by Protection (as Mr. Cox admits can be done) of other industries.

An apt instance of this has just been furnished in the pages of a magazine by my friend Mr. H. W. Wilson. Mr. Wilson writes: "I saw, only the other day, a Yorkshireman who, twenty years ago, was running a profitable business, and employing a good number of workpeople in one of the West Riding valleys. Then came the Dingley Tariff; and preferring, as he said, to be 'inside the wall,' he left with the pick of his workpeople for the United States, where he has prospered exceedingly."

Much of what, after reading Mr. Cox's exposition of his case, I must still regard as a deplorably erroneous view of national trade, evidently arises out of his notion that one need not trouble about looking after the industry of a country—that just as much wealth is produced by importing foreign commodities as by not importing them, since there is bound to be a corresponding export. But I think if Mr. Cox will seriously consider the matter of domestic and foreign exchanges, he will get a more accurate view of the position. It may help him to this view if I make the following short statement concerning the exchanges, with which I will conclude my part in this controversy.

One domestic exchange is equivalent to two foreign exchanges.

Thus, an Englishman makes a pair of boots; value expressed by £1.

Another Englishman makes a hat; value expressed by £1.

They exchange their products with each other; and the total value created is represented by £2.

That illustrates the domestic exchange.

But if the English hatter exchanges his hat for a pair of boots made in France, the wealth created, or the labour and capital employed, in England is expressed by £1 only.

It does not, of course, follow from this that a country which exports only produces half the wealth, and only employs half the labour and capital, which would be produced and employed if it did not export, because the English bootmaker, who, in our illustration, is left out in the cold when the hatter exchanges with the Frenchman, may in his turn be able to exchange his boots, say for an American hat.

But there is no guarantee that he will be able to do this. The American may not want his boots; he may be exchanging with American bootmakers. In that case the English bootmaker is unable to get employment. This view of the case did not appeal much to Englishmen years ago, when they had a command of the world's markets. But now, when foreign countries have developed their own industries, and are becoming more and more independent of English products, this view of the case is a very pressing and a very practical one. It might have been said in old days that, though one domestic exchange is equal to two foreign exchanges, yet the two foreign exchanges were bound to occur; and that, therefore, it did not matter whether the exchanges were domestic or foreign, but to-day this equality cannot be assumed; a domestic exchange, therefore, is better worth having than a foreign exchange, because of the lack of guarantee that the second foreign exchange will be obtained.

There is a further reason why domestic exchanges contain a safer guarantee of the full employment of capital and labour than do foreign exchanges. Trade has ceased to be a matter of simple barter.

Trade is barter in the case of primitive peoples who actually exchange their products. It is not necessarily barter in modern civilised communities.

Thus: an American may sell iron to an Englishman, and not

buy anything from England in exchange. He may (1) demand payment in gold; and this gold he may (a) hoard (cf. the big and growing balance in the U.S. Treasury), or (b) he may buy French champagne with it, and the exchange may go on circulating in that fashion without ever reaching the Englishman again. Or (2) the American may use the money (using the word money now to include credit) received from the Englishman by distributing it among other Americans in wages for building him a house. Or (3) the American may lend the money to Russia, and Russia may use it in many ways, not one of which includes buying goods from an Englishman. In practice, therefore, the barter theory breaks down. The existence of so many national debts is, when they are traced to their source, a proof that in point of fact all trade is not barter.

No consideration of the respective values of domestic and foreign exchanges is complete without taking into account the effects of the surplus production of commodities under the present industrial system. Every advanced industrial community to-day can produce more articles than it can consume. Under the operation of this system of surplus production the *raison d'être* of barter disappears. The eventual results of this system of surplus production, when it shall have become practically universal, are very difficult, if not impossible to forecast. But one immediate and practical result is clear: it does not follow that if England buys the surplus production of America or Germany she will be able to sell her own production in exchange. She may have to part with some of her stored-up capital in payment (as she is doing to-day by her export of securities), or eventually get into debt.

In concluding my part of this controversy I would express my regret that Mr. Cox should have deemed it necessary to charge me, as he did in his last article, with "evasion," after I had given him as simple and straightforward and complete an answer to his question as it was possible to give to any question.

ERNEST E. WILLIAMS.

XII.

FOR FREE TRADE.

By HAROLD COX.

IN his farewell words Mr. Williams complains because I charged him with evasion. I am afraid I must adhere to the charge. It was not made hastily, nor was it made in any offensive spirit. It was made because it was true, and because there was an important controversial point involved. Again and again in his articles Mr. Williams has insisted on the importance of recognising that some industries have a national as distinct from a mere commercial value, and he has repeatedly scoffed at the mere Free Trader, whom he accuses of ignoring national considerations. In vain I appealed to him to specify the industries which possess this national importance. He repeatedly turned my question aside, and, finally, in response to a categorical challenge to "state explicitly which of our industries, besides agriculture and sugar-refining, he thinks ought to be specially favoured by the Government," he replied that he would "protect all national industries, except the mineral industries." I was fully justified in calling this reply an evasion. In addition I pointed out that it was physically impossible to protect all our national industries, and I gave a long list of large and flourishing industries which cannot possibly derive any profit from a protective tariff. Instead of attempting an answer, Mr. Williams sorrowfully bids me good-bye with the air of a martyred saint.

The larger part of his last article is occupied with an attempt

to demonstrate the undesirability of foreign as compared with domestic trade. It is a strange attitude for the author of *Made in Germany* to adopt. Unless my recollection deceives me, the pages of that book were filled with figures intended to prove that England was then on the high road to ruin because her foreign trade was increasing less rapidly than that of Germany. Latterly, however, Mr. Williams seems to have forgotten the very existence of Germany. The United States is now his bogey. Here, too, however, in order that we may be duly scared, it is to the figures of foreign trade that he appeals. And yet we are treated in his last article to an argument intended to show that foreign trade may conceivably be worth only half as much as home trade.

I recognise the genesis of this argument. Mr. Williams has stumbled across a curious blunder made by Adam Smith, with which most students of political economy have long been familiar, and which was disposed of by Ricardo eighty years ago. It is this blunder that Mr. Williams now reproduces. But though he endorses the argument he detects the fallacy. He sees that if Adam Smith's contention were sound, foreign trade would always be worth to a country half as much as home trade, and that, therefore, the only sound national policy would be the absolute prohibition of all trade outside the country. Adam Smith, to illustrate his argument, took the case of an Englishman and a Scotchman trading with one another, and correctly stated that two British capitals would thus be employed. He then proceeded to argue that if the Englishman traded instead with Portugal, only one British capital would be employed, the other being Portuguese.

His blunder lay in forgetting the Scotchman, or rather in tacitly implying that the Scotchman would remain idle because he had lost his English customer. That is not the way of most Scotchmen. Obviously the Scotchman in Adam Smith's hypothetical case has the same opportunity of doing a foreign business as the Englishman, and both Britons may thus be as busily em-

ployed as if they were doing a direct trade with one another. Mr. Williams sees this, and candidly points it out, but he still yearns to make something out of Adam Smith, and therefore argues that there is no guarantee that the Scotchman will be able to secure a foreign trade. Of course there is not. But is there any guarantee that the Scotchman and Englishman will be able to do business together, even if Great Britain be surrounded by an impassable tariff wall? On the contrary, the probabilities are that both will be able to secure customers more easily if each is free to look for them where he will. If the two are tied up to dealing with one another, possibly they would have no dealings at all, because neither might produce the exact thing that the other wanted.

As a matter of fact, there is no evidence whatever that trade is more brisk or employment more steady in Protectionist than in Free Trade countries. Take the case of the colony of Victoria, where the Protectionists have long acted on the theory that Mr. Williams now puts forth. They have told the working-man that a high tariff means steady employment. The census has tested the truth of their statements. During the past ten years the protected workmen of Victoria have been leaving their homes by the thousand for the gold diggings of Westralia, and for the numerous openings for employment offered by Free Trade New South Wales. The figures are so striking that it is worth while to quote them:—

Population of New South Wales and Victoria.

MALES.					
		1891.		1901.	Increase.
N.S.W.	...	612,000	...	715,000	103,000
Victoria	...	598,000	...	601,000	3,000

FEMALES.					
		1891.		1901.	Increase.
N.S.W.	...	520,000	...	647,000	127,000
Victoria	...	542,000	...	594,000	52,000

There can be no misunderstanding these figures. Whatever the causes may be, the fact is indisputable that a very large number of men, who ought to have swollen the population of protected Victoria, have preferred to seek employment in New South Wales, where trade is as free as in the United Kingdom.

I pass to another point of even more fundamental importance—the question of how imports are paid for. Mr. Williams advances the astonishing proposition, that it is only among primitive peoples that trade is barter. He is apparently incapable of seeing that when goods are exchanged for money, the money is only the medium for effecting a further exchange for goods. In this matter he enjoys the distinction of standing alone. Protectionists give him as little support as Free Traders. I have by me letters from a distinguished English Protectionist stating that he has always held that trade is essentially barter, and I can also refer Mr. Williams to a leaflet issued by the Protectionist Association of Victoria, where the doctrine is explicitly laid down that imports can only be paid for by exports. The arguments used by Mr. Williams show that he has not seriously troubled to think this matter out. Otherwise a man of his ability could not have written as follows.

He says: "An American may sell iron to England and demand payment in gold." But where are we to get the gold from? It does not grow on bramble bushes. Nor does our stock of gold diminish. On the contrary, it steadily increases.

Mr. Williams proceeds: "The American may hoard the gold or he may buy French champagne with it, and the exchange may go on circulating in that fashion without ever reaching the Englishman again."

I have hitherto always imagined that a circle was a closed curve, and that the process of circulation involved a return to the starting-point. But, apparently, these are delusions due to my "short-sighted outlook." Mr. Williams continues: "The American may use the money (using the word now to include credit) by

distributing it among other Americans in wages for building him a house. Or he may lend the money to Russia, and Russia may use it in many ways, not one of which includes buying goods from an Englishman."

I almost begin to regret that I have no commercial dealings with Mr. Williams. He must be a delightful person to buy from. He would take money, in the form of credit—a cheque for example—but he would guarantee that the cheque would never be presented for payment to the original drawer. The American manufacturer is not built that way. When he receives a bill drawn on London that bill comes back to London, even though it has to travel twice round the globe before it gets there.

It is, of course, true that our imports largely exceed our exports, as they do with all old countries that are also prosperous. The main reason is that by exporting capital we have made the world tributary to us, and the tribute is paid in wine and oil, cotton and wheat, and in any goods we care to call for. Let me give an example supplied by a friend—the Chilean nitrate industry. This industry is almost entirely in British hands. British firms raise the nitrate and prepare it for market; British ships convey it to England. The export duty of £2, 10s. per ton, imposed by the Chilean Government, is collected in Great Britain, and the money is used to pay the British holders of Chilean bonds. Thus, with the exception of the wages paid to the Chilean workmen, the whole cost of the nitrate of soda that fertilises British fields is accounted for by the economic tribute that Chili owes to Great Britain. The British farmer in effect buys his nitrate, not from Chili, but from the British capitalist who owns this Chilean product, and who probably has an office in the City, a house in Belgravia, and a nice little estate in the country.

Take, again, tea. A successful manufacturer told me the other day that an estate in India which he had bought for £4000 and planted with tea had been worth to him for several

years in succession "many thousand pounds a year." The tea that yields him this income is carried in British ships, and is sold to British purchasers. The money that he receives from the sale never leaves this country. He spends it in England for his own benefit and the benefit of the people he employs.

Take, lastly, wheat. I have a friend who divides his time between Dublin and London, but who derives a very large part of his income from agricultural land in one of the western States of America. The wheat raised upon his farms is sold to British or Irish purchasers, and he spends the money received, not in America, but in England or Ireland.

These are illustrations of one of the most striking facts of the present economic position of England. Industries established with British capital and directed by British brains are to be found in every part of the world. The owners of these industries draw their profits here, and in spending them provide employment for a large portion of our working population. It is this fact that explains the rapid increase in our imports, and the ever-growing prosperity of the working classes, while our exports are, comparatively speaking, stationary.

It may be argued that the increase in the number of persons who live upon settled incomes is not an entirely healthy feature of our social system. I share that view. But the phenomenon is independent of Free Trade. It is to be found in all settled and prosperous countries, and is ultimately due to the increased mastery of man over the forces of nature. The evils that ensue can best be dealt with by so arranging our system of taxation that those who work—in whatever capacity—shall pay less in proportion than those who merely sit still and enjoy. It is one of the fundamental vices of the Protectionist system that it imposes the greatest burden of taxation upon the working classes, leaving the owners of property relatively unscathed.

Though my space is running short I must say a word about Mr. Williams's attempted reply to my statement that "Protection

given to one industry has to be paid for by other industries, and that this involves a loss to the nation, because the effect of such favouritism is to divert capital and labour from industries that can stand alone to those that need a State prop." Mr. Williams replies that I have made the blunder of assuming that the capital and labour in a country is a fixed quantity.

Not at all! I know perfectly well that there is always capital seeking investment, and that there are always labourers—some of whom are competent—seeking employment. I know also that there is a constant ebb and flow going on, some trades declining and others expanding, in response to the varying demands of the market. The Free Trader contends that the individual capitalist and the individual labourer are better able to deal with these fluctuations and to discover for themselves what industries are likely to be most profitable than any Government department can decide for them. The Protectionist, on the other hand, demands that the State should select some particular industry and make that industry specially profitable by permitting the persons engaged in it to levy a tax on other industries.

Protection means this or nothing. For there can be no protective virtue in an import duty unless it permits the price of the protected article to be raised. That enhanced price must be paid by all the persons who buy the article. In other words, they have to pay a tax to the individuals engaged in this favoured industry. Mr. Williams prudently ignores my contention that such a tax is essentially unjust. I contend most strongly that taxes are only due to the State, and that it is unjust that one man's industry should be taxed to make another man's industry profitable.

The effect of such taxation, as I previously argued, must be to divert the flow of capital from industries that can hold their own to those that are too sickly to live without support. Take a concrete case. The supply of fresh milk to large towns has become a very extensive industry for British farmers. It is probably capable of still further development. Suppose that the Protectionists

succeeded in securing a duty on foreign wheat. All the farmers engaged in this milk business would be immediately injured, for they and their workpeople would have to pay more for their daily bread. They could obtain no compensating advantage from any tariff, for the importation of fresh milk from abroad is obviously outside the range of present possibilities. The effective profits of this flourishing industry would thus be diminished, and men who had been on the brink of putting more capital into it would turn aside and invest in corn growing. Personally I can discern no national purpose that is served by encouraging the British farmer to produce corn rather than milk, and I see a grave injustice in taxing the producers of milk in order to increase the profits of the producers of corn.

Mr. Williams quotes the case of a Yorkshire manufacturer who transferred his works to the States because he preferred to be inside the tariff wall. That is only an illustration of the undisputed proposition that particular industries can be developed by means of Protection. Of course they can. The whole question is whether it is wise for a nation to permit its legislature to select some industries for development, and others for taxation. Doubtless, if we were to impose a sufficiently heavy duty on American wheat, we should have American capitalists crossing the Atlantic to get inside our wall, and subsequently showing us how to turn our fields into American prairies, and our Parliament into an American legislature.

In conclusion, let me point out that, as far as I am able to judge, most of the modern criticism of Free Trade is due to the irritation caused by foreign tariffs. We are conscious of the injury done to our trade by the American tariff, and some of us are foolish enough to spring to the conclusion that we could avoid that injury by means of a British tariff. We should only injure ourselves still further. England, more than most countries, is dependent for her prosperity on her foreign trade. In order to command neutral markets, we must be able to produce at the lowest possible cost; and, therefore, it is imperative that the raw materials and the tools

of our multifarious industries, and the food and clothing of our people, should be free from taxation.

As for the future, it depends on ourselves. Mr. Williams makes a great point of the alleged loss of our industrial supremacy, owing to the more rapid progress of the United States. I do not know whether the actual supremacy has yet passed from us; but I do know that 40,000,000 people, cramped up in an over-crowded island, cannot reasonably expect to retain for ever the industrial leadership of the world against 70,000,000 people, not inferior in intelligence, and occupying a territory of almost boundless extent and natural richness. Nor is the industrial future that lies before the American people any new discovery. Fifty years ago English Free Traders clearly foresaw the inevitable expansion of the United States, and wisely pointed out the futility of hampering our industries in the vain hope of staying their progress. The only marvel is that this great continent has not sooner wrested from our little island the title to supremacy.

The loss of that title, when it comes, may hurt our vanity, but it will not touch our solid prosperity. In the long-run our national prosperity depends on our own individual qualities. If we are prompt to seize fresh opportunities, quick to adapt our old ideas to new needs, steadfast in work, and resourceful in difficulties, we shall not go under even before the millions of the American Republic.

Above all, whatever struggles may come, let us keep clear of the delusion that the State can save us if we ourselves fail. The State can help in many ways. It can promote honesty by punishing fraud. It can promote intelligence by encouraging and, if need be, compelling education. It can help to build up a stronger race by forbidding the industrial employment of immature children. It can further facilitate progress by clearing away some of the useless lumber that our fathers forgot to destroy; it can codify our laws, internationalise our weights and measures, decimalise our coinage; it can reform our idiotic spelling, which now wastes at least a year of every child's school life. All these things, and a

few others, the State can do with much advantage to the nation. But except for such services as these, it is profitless to look to the State. With his own brain and hand, each individual citizen must carve out his own fortune, and the greatest boon he can ask of the State is to leave him FREE.

HAROLD COX.

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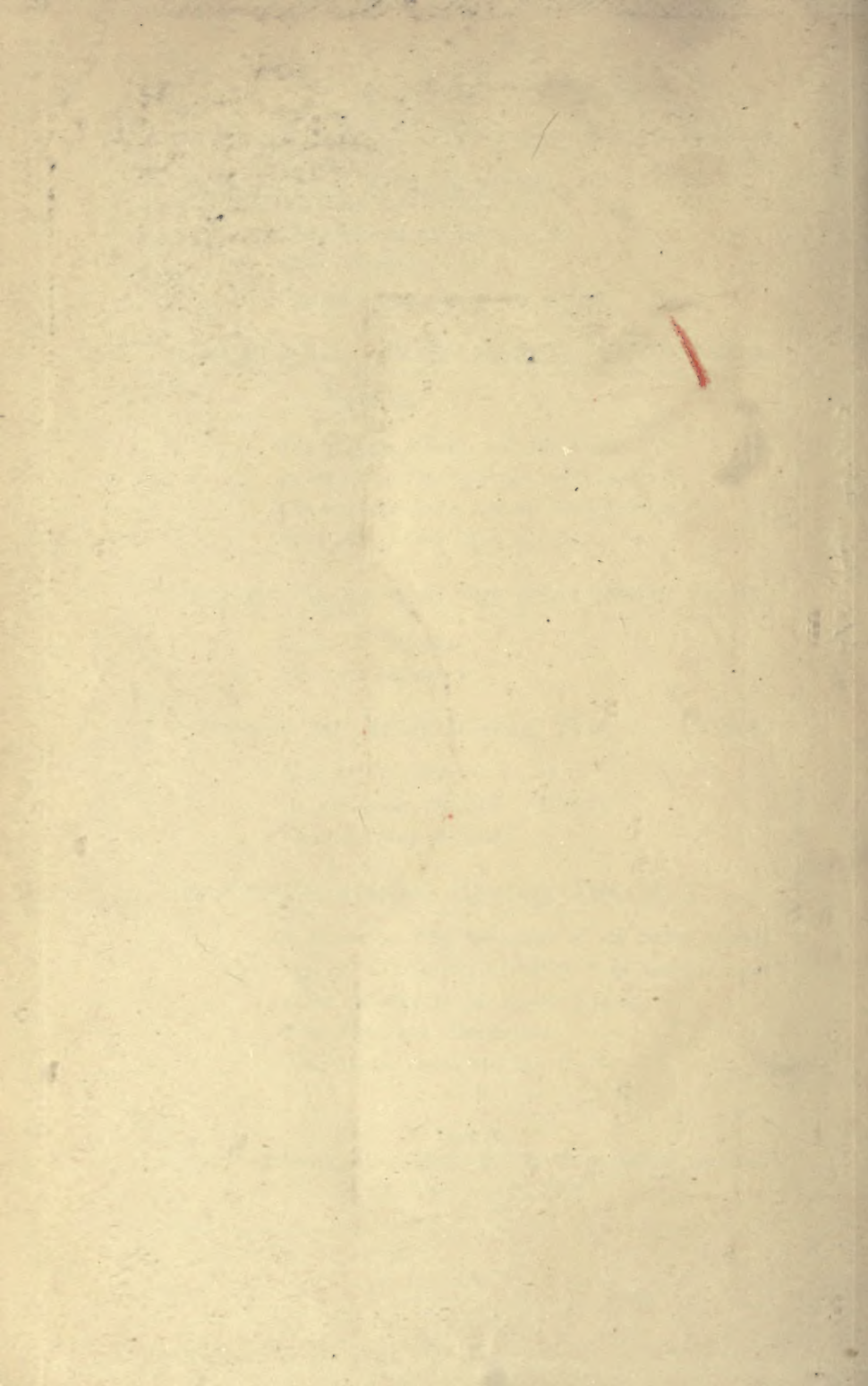
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